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Australia	1.00	Brazil	1.00	China	1.00	Colombia	1.00	Czechoslovakia	1.00	Egypt	1.00	Finland	1.00	India	1.00	Israel	1.00	Italy	1.00	Malaysia	1.00
Mexico	1.00	Nicaragua	1.00	Peru	1.00	Pakistan	1.00	Poland	1.00	Romania	1.00	Saudi Arabia	1.00	South Korea	1.00	Soviet Union	1.00	Taiwan	1.00	Thailand	1.00
Turkey	1.00	U.S.	1.00	U.K.	1.00	USSR	1.00	Vietnam	1.00	Yugoslavia	1.00	Zaire	1.00	Zimbabwe	1.00						

## Shultz, Seeing 'Tyranny,' Asks Aid to Guerrillas in Nicaragua

By Bernard Gwertzman  
New York Times Service

WASHINGTON — Secretary of State George P. Shultz has said that if additional U.S. aid is denied to the rebels in Nicaragua, that country will fall into "the endless darkness of Communist tyranny" and that direct and costly U.S. action might be required later.

Mr. Shultz said Friday that Americans had "a moral duty" to help "the freedom fighters" who are engaged in combat with the government of Nicaragua. His suggestion that failure to do so might eventually force the United States into action there was the first public statement by a senior Reagan administration official.

But President Ronald Reagan, in a meeting Friday with some editorial writers, said he did not envisage a U.S. invasion of Nicaragua as a possibility, given the opposition to such a move by Latin American nations friendly to the United States.

State Department officials said that Mr. Shultz's remarks were part of a stepped-up campaign by the Reagan administration to win congressional support for the Nicaraguan rebels.

Elaborating on Mr. Reagan's comment at a press conference Thursday that he wanted "to remove" the "present structure" of the Nicaraguan government, Mr. Shultz said it was "immaterial" to him how this was done.

He said the Managua authorities could do it on their own or through agreement with other countries. Or,

he said, it could be brought about "through the collapse of the Sandinista regime."

Senior State Department officials said the purpose of the polemical campaign, which was started by Mr. Reagan in a radio address Feb. 16, was to build a strong moral case for persuading Congress next month to approve \$14 million in "covert" funds already authorized for the rebels. The guerrillas are believed to have received more than \$80 million in recent years.

The administration also wants congressional approval for any additional secret funds that might become necessary in the future for the rebels.

A secondary reason, the officials said, was to put pressure on the Nicaraguan government to end what has been described as a Soviet and Cuban presence in Nicaragua, halt the support for rebels in neighboring countries, and provide guarantees for free elections.

The officials said that although alternatives to the covert financing through the Central Intelligence Agency have been studied, none of the possibilities seemed to them as good as the current method of secret funding.

They said they recognized that if a vote was taken in the House of Representatives now, the majority would probably turn the money down. But they said that the administration intended to avoid a vote for at least a month and to campaign hard to convince Congress of the moral and practical necessity for the money.

After Mr. Reagan's Feb. 16 radio address, Mr. Shultz told the House Foreign Affairs Committee on Tuesday that Nicaragua was falling behind "the Iron Curtain," and that Americans had a moral duty to help out the rebels who were trying to prevent the "door being slammed."

On Thursday, Mr. Reagan maintained the toughly worded rhetoric in his press conference, and on Friday both Mr. Shultz and Mr. Reagan returned to the theme.

Mr. Shultz, speaking in San Francisco, said that "the bottom line" in Nicaragua was this:

"Those who would cut off these freedom fighters from the rest of the democratic world are, in effect, consigning Nicaragua to the endless darkness of Communist tyranny. And they are leading the United States down a path of greater danger."

"For if we do not take the appropriate steps now to pressure the Sandinistas to live up to their past promises — to cease their arms buildup, to stop exporting tyranny across their borders, to open Nicaragua to the competition of freedom and democracy — then we may find later, when we can no longer avoid acting, that the stakes will be higher and the costs greater."

A senior State Department official said that "the Shultz argument" was that if the rebels were aided now, they could do the job, and the pressure on the Sandinistas

(Continued on Page 2, Col. 4)



Konstantin U. Chernenko, the Soviet leader, is shown voting in local elections. The picture was distributed by Tass, and film of Mr. Chernenko was shown on television on Sunday.

## Meese, After 13 Months, Confirmed By U.S. Senate as Attorney General

By Leslie Mairland Werner  
New York Times Service

WASHINGTON — The Senate has voted to confirm Edwin Meese 3d as attorney general, more than a year after he was first nominated by President Ronald Reagan.

The 63-31 vote on Saturday came after five days of filibustering by Farm Belt senators, who allowed the vote to take place after winning assurances that they could introduce legislation to provide emergency credit relief for farmers. Six senators did not vote.

Mr. Meese, 53, is to replace William French Smith as attorney general on Monday, when he is to be sworn in by a notary public. A formal ceremony is expected early next month.

All of those voting against Mr. Meese's confirmation on Saturday were Democrats.

Little debate preceded the confirmation vote, compared to the drawn-out hearings held last year and again this year by the Senate Judiciary Committee. Supporters and opponents of Mr. Meese each spoke for fifteen minutes before the Senate voted.

Senator Howard M. Metzenbaum, a Democrat of Ohio who is one of Mr. Meese's most persistent critics in the Senate, said, "Let us not kid ourselves. Mr. Meese's conduct has not indicated that he is a paragon of virtue. I would guess, as others, he will be confirmed this afternoon. We can only hope Mr. Meese's future conduct will be better than his past conduct."

But Senator Strom Thurmond, a Republican of South Carolina who is chairman of the Senate Judiciary Committee, said Mr. Meese, an advocate of strong law enforcement measures, "was selected and appointed by President Reagan. It is assumed he is a man of character and qualified for the position. Meese is a man of broad experience and he got a clean bill of health."

After the vote, Mr. Meese said he was "not bitter at all" over the confirmation struggle.

"I think that politics played a very big part in what took place, but that's all behind us," he said.

Saturday's action brought to an end a difficult period for Mr. Meese, who had vowed to fight all obstacles to win the position to which Mr. Reagan nominated him on Jan. 23, 1984.

Last year, while Mr. Meese's confirmation hearings were in progress, it was disclosed that he had failed to reveal a \$15,000 interest-free loan on his financial disclosure forms, touching off an investigation by the Justice Department.

The inquiry was promptly broadened to include other allegations raised in the hearings, such as whether Mr. Meese had arranged federal jobs for several people who had done him financial favors and whether he had accepted preferential treatment in gaining an Army Reserve promotion.

The inquiry, which was turned over to a court-appointed independent counsel as prescribed by the Ethics in Government Act, cleared Mr. Meese of any violation of federal criminal law. The independent counsel, Jacob A. Stein, declined to evaluate Mr. Meese's ethical qualifications for office, saying it was beyond his jurisdiction.

Mr. Reagan then resubmitted the nomination of his longtime aide

and hearings resumed again last month. Critics contended, however, that far from exonerating Mr. Meese, the 385-page report issued in September by Mr. Stein displayed in detail a man lacking the ethical qualifications to be the nation's top law enforcement officer.

On Feb. 5, the Senate Judiciary Committee voted 12-6 to send the nomination to the Senate floor, dividing largely along party lines.

The 31 negative votes were the most cast against a cabinet nominee in 14 years, and Common Cause, the citizen's lobby which opposed Mr. Meese, said it was the highest vote against a nominee for attorney general since 1925.

In the last several months, many high-ranking officials left the Justice Department. Mr. Smith, anticipating that he would soon be leaving as well, did not replace them.

As a result, Mr. Meese will be able to fill the top jobs in six units, including the Civil Division and the Land and Natural Resources Division, which have been operating with acting directors.

Mr. Meese is expected to be a

strong advocate for legislation that would allow evidence that is seized illegally to be introduced in court if police believed in good faith that they were seizing it legally. Mr. Meese also is expected to support the imposition of the death penalty for certain federal crimes and legislation that would restrict the rights of state prisoners to appeal their cases at the federal level.

But current department officials do not expect major policy changes under Mr. Meese who, along with Mr. Smith, shares the administration's conservative views on legal issues.

Mr. Smith, who became attorney general in 1981, originally announced his resignation in January 1984 and had intended then to return to the California law firm of Gibson, Dunn, & Crutcher, where he had served as Mr. Reagan's personal lawyer.

After Mr. Meese encountered difficulty in winning confirmation, administration officials, including Mr. Reagan, prevailed upon Mr. Smith to remain in office until Mr. Meese could be confirmed.

## Soviet Leader Is Seen on TV Casting a Ballot

By Celestine Bohlen  
Washington Post Service

MOSCOW — President Konstantin U. Chernenko appeared on Soviet television Sunday for the first time in almost two months to cast his vote in local Soviet elections.

The film on an evening news program showed a visibly weak Mr. Chernenko seated near a ballot box in a small room. He was later shown standing, receiving flowers and giving a message to election workers, surrounded by officials who included Viktor V. Grishin, the Moscow Communist Party chief and a fellow member of the ruling Politburo.

A commentator said that Mr. Chernenko was voting in the Krasnopresnenski district in Moscow, where he lives. But the room on television did not resemble the polling station where he normally votes.

Mr. Chernenko, dressed in a blue suit, spoke only a few words and appeared to have trouble walking. His gaze appeared tired and unfocused.

The scene was reminiscent of the last years of Leonid I. Brezhnev, who would make brief public appearances to dampen speculation that he was gravely ill.

Mr. Chernenko's reappearance came as a surprise because his constituents in another Moscow district were told Friday that he could not deliver a traditional pre-election speech on the advice of doctors.

The announcement Friday had been the first official confirmation to the Soviet public that their leader was ill.

Mr. Chernenko, 73, who suffers from some form of lung ailment, possibly emphysema, was last seen publicly on Dec. 27, although he was reported to have attended a meeting of the Politburo on Feb. 7.

His attendance at that meeting and his appearance Sunday suggested that his health was variable.

On Dec. 24, Mr. Chernenko was missing from the Red Square lineup at the funeral of Defense Minister Dmitri F. Ustinov. The day was bitterly cold and it was widely assumed that Mr. Chernenko was advised to stay indoors.

He reappeared on television three days later to give awards to Soviet writers and then disappeared from view.

Until Friday's announcement, there had been conflicting reports from Soviet officials about the state of his health. One had him on a winter vacation near Moscow, another said he had been ill.

An election day appearance is a traditional one for Soviet leaders. Earlier Sunday, as reporters gathered at Mr. Chernenko's local polling station, it became apparent that he would not show up in front of the foreign press.

Instead, attention was focused on Mikhail S. Gorbachev, who is widely considered second behind Mr. Chernenko in the Communist Party hierarchy and, therefore, a possible successor.

Mr. Gorbachev, who lives in the same district as Mr. Chernenko, as do other members of the Soviet leadership, cast his ballot before the cameras of both foreign and Soviet television.

At 53, Mr. Gorbachev is the Politburo's youngest member.

He was accompanied by his wife, Raisa, his daughter, Irina, and a granddaughter.

Sunday's elections held across the Soviet Union were for delegates to republican parliaments, city and district councils. As in all Soviet elections, the turnout was expected to be close to 99 percent — or 108 million citizens, voting in a poll with only one candidate for each post.

Mr. Chernenko and other members of the leadership were elected delegates to various republic's Supreme Soviets. Mr. Chernenko was elected to the Supreme Soviet of the Russian Federation.

## One Killed, 14 Injured in Bombing Of Marks & Spencer Store in Paris

By John Vinocur  
New York Times Service

PARIS — A bomb exploded at an entrance to the Paris branch of the British-owned department store Marks & Spencer as it opened for business on Saturday, killing one man and wounding 14 people, police said.

The police said they had no clear indication of who was responsible for the blast, although they had received a number of telephone calls concerning its origin.

The callers claimed to speak for the Caribbean Revolutionary Alliance, an outlawed group seeking independence for France's Caribbean territories; for Direct Action, a leftist extremist group that has announced its fusion with the Red Army Faction terrorists of West Germany; and for groups calling themselves the Fatah Revolutionary Command, and the International Collective Army Against Unemployment.

But police said that all the calls came hours after the blast was reported by French news organizations, and that none of the claims contained any technical details indicating firsthand knowledge about the explosion.

Employees at the store on Boulevard Haussmann, across the street from the department stores Galeries Lafayette and Au Printemps, said no threats had been received.

Police said a French employee of the store, identified as Leonard Rochas, died of his wounds hours after the explosion. Two other Frenchmen were reported seriously wounded. The others wounded, including two Britons, were hit by flying glass and debris, hospital officials said.

The store, which opened in 1975, had been the target of attacks twice before. Bombs exploded on Feb. 23, 1976, exactly nine years ago, and on May 4, 1981, causing some damage but no injuries. No one claimed responsibility for either explosion.

In 1973, Joseph Edward Sieff, a former chairman of Marks & Spencer and a leading British supporter of Israel, was wounded in the head in a terrorist attack at his home in London. He died in 1982 at the age of 77.

The explosion on Saturday occurred at 9:31 A.M. Witnesses said a man with European features had placed a duffel bag at a rear entrance of the store on the Rue des Mathurins, near the Opera, and hurried away. The explosion followed.



Firemen leaving the damaged Marks & Spencer store.

Glass was strewn on the street, and the door frame was destroyed. In the store, sales counters were smashed and goods spilled into the aisles.

The store, which sells British products, including clothing and specialty foods, closed Saturday, but it was to reopen on Monday.

Marks & Spencer has five other department stores in France. The chain celebrated its 100th anniversary in 1984 and is regarded as Britain's most successful retailer, with sales of about \$4.3 billion in 1983. The chain has 262 branches in Britain, France, Belgium, Ireland and Canada.

## One Killed In Five-Hour Hijacking Over Beirut

By John Kifner  
New York Times Service

BEIRUT — A disgruntled airport guard demanding a promotion hijacked a Lebanese Airlines jet on Saturday, forced it to fly for five hours between Lebanon and Cyprus and threatened to crash it into the presidential palace. The plane finally returned to Beirut and the hijacker disappeared, apparently into nearby shantytowns.

One passenger died of head injuries after he was sucked out of the open door as the plane took off. Earlier, seven others were injured sliding down escape chutes.

With doors hanging open and escape chutes dangling, the Middle East Airlines Boeing 707 flew back and forth between Beirut and Cyprus as officials tried to talk the hijacker into giving up.

"I have rights as a Lebanese and as an employee with you and that is all I am demanding," the guard, identified as Doraid Hassan, said.

The incident pointed up why the airport has been gaining a reputation as a dangerous place.

Diplomats and security sources say contending militias have infiltrated the airport staff to find out about the movements of opponents so that they can be kidnapped near the airport.

Last week, the chief of security at the airport, Brigadier General Yassin Sweid, resigned, saying that nothing was being done about his demands to fence off the perimeter and keep gunmen away.

Since the airport is in territory controlled by the Shiite Muslim militia, it is particularly vulnerable to hijackers demanding the return of a missing Shiite leader, Imam Moussa Sadr, who disappeared on a trip to Libya in 1978.



Lebanese soldiers examine emergency chutes ripped during the hijacking of a Middle East Airlines jet in Beirut.

The hijacking on Saturday began as the Middle East Airlines flight 203, bound for Paris, was boarding. Mr. Hassan brandished a bag that he said contained hand grenades. A burst of shooting broke out. In the confusion, flight attendants pushed passengers down emergency chutes.

The hijacker ordered the plane to take off, and for five hours it circled over Beirut, landed, took off and landed again at Larnaca, Cyprus, then flew back to Beirut.

Mr. Hassan read a list of demands that included what he said

were overdue promotions and pay raises for himself and his colleagues and better equipment for airport guards. He also threatened to have the plane flown into the nearby presidential palace.

Jamil Naameh, the chief national security officer, who negotiated with him, said, "We shall appoint a committee to deal with all these demands if you come back."

The plane finally landed in Beirut and the hijacker said negotiators could approach him as long as they were naked. Then he slipped away.

## Jordanians Reveal Text Of Agreement With the PLO

By Judith Miller  
New York Times Service

CAIRO — Jordan has made public the text of its agreement with the Palestine Liberation Organization that outlines a framework for a joint approach to peace.

The agreement was signed by King Hussein of Jordan and Yasser Arafat, the chairman of the PLO, in Amman on Feb. 11. The text of the accord, distributed in English in the Jordanian capital on Saturday, specifies five principles upon which their "bid for joint action" should be based.

A key provision includes "total withdrawal" by Israel from "the territories occupied in 1967 for comprehensive peace as established in United Nations and Security Council resolutions."

Taher Hikmat, Jordan's acting information minister, asserted at a press conference in Amman on Saturday that this meant the PLO had accepted UN Resolution 242, which calls for recognition of Israel's sovereignty and borders in exchange for the return of occupied Arab lands.

His assertion conflicted with a statement issued in Tunis on Wednesday by the PLO's executive committee, which reiterated the Palestinian group's longstanding opposition to the key resolution.

The PLO has previously rejected the resolution on the ground that it failed to call for the creation of a Palestinian state and mentioned the Palestinians only as refugees. The United States has consistently refused to recognize the PLO until it accepts Resolution 242 and acknowledges Israel's right to exist.

The contradiction between the (Continued on Page 2, Col. 3)

## '60s Civil Rights Activist Calls Integration a 'Sham, Con Job'

By Juan Williams  
Washington Post Service

DELAWARE, Ohio — At 51, James Meredith has taken an unexpected turn in his march into U.S. history. The young black man who sparked white riots by integrating the University of Mississippi in 1962 and who was shot for walking Southern back roads to protest segregation in 1966 now preaches that integration is a "sham," and "the biggest con job ever pulled on any people."

In a day of lecturing at Ohio Wesleyan University last week, Mr. Meredith said that the only people benefiting from integration are liberal whites and a few "black bourgeois."

He shocked students and faculty, and angered some, particularly blacks, with remarks in which he seemed to be a black rightist, sometimes even sounding like a Reaganite.

"Integration is the biggest con job ever pulled on any group of people, any nationality in the world," he said to an American history class. "It was a plot by white liberals to gain black political power for themselves and their wild ideas, and for a few black bourgeois who were paid to exercise leverage as black spokesmen. I've never heard any other black person say integration did one good thing for them."

A student asked Mr. Meredith if he was

saying that integration is more negative than it is positive.

"Absolutely, that is positively the case, especially as far as the black race is concerned," he replied.

Mr. Meredith was the point man in an integration fight that forced President John F. Kennedy to send 30,000 federal troops to Mississippi to protect him as he integrated the University of Mississippi.

Mr. Meredith spoke with some disdain of his former civil rights fights. He told a reporter that there is "no history I've been a part of that's worth writing about, nothing that has made black people more viable, competitive."

The only accomplishment of the civil

rights era that Mr. Meredith acknowledged is Title 2 of the Civil Rights Act of 1964, which outlawed discrimination by hotels and restaurants.

In another class, a white student asked if he was saying "we shouldn't let blacks come to school here, we should end integration."

"Have you ever heard of Irish, Poles, Germans, Italians and Jews being integrated?" Mr. Meredith asked. "They go anywhere and just enjoy their rights. Why call it integration when black folks do the same thing? It's a con job."

He added, "The people who started this integration thing knew that in 30 years they'd still have the same thing, the same

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James Meredith

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# Pakistan Prepares for Vote After 8 Years of Martial Law

By Steven R. Weisman  
New York Times Service

KARACHI, Pakistan — After nearly eight years of martial law and despite the arrest of hundreds of political activists, there are small signs that an election of some consequence is going to be held in Pakistan this week.

The voting for a National Assembly and provincial assemblies is to take place Monday and Tuesday, and President Mohammed Zia ul-Haq has promised to return the nation to civilian rule if it goes smoothly.

The stakes appear to be high, but one could hardly tell on the surface. In this vibrant port on the Arabian Sea, where tens of thousands of demonstrators have taken to the streets in the past, rallies today consist of a few hundred people and break up soon after they start. Demonstrations, processions and loudspeakers are banned.

At the headquarters of Jamaat-i-Islami, a Muslim group that is indirectly supporting the election, despite a ban on participation by political parties, a spokesman held a news conference Saturday to complain about vote-rigging.

Nearby, at the home of Mustafa Jatoi, the leader of the banned Pakistan People's Party, an unwelcome contingent of soldiers carrying rifles and handguns stood guard underneath the eucalyptus trees and bougainvillea. Mr. Jatoi is under house arrest.

Armed convoys of trucks and jeeps patrol the streets to make sure that what government officials call disruptions of the elections do not occur. The soldiers are camped out in tents pitched at a sports stadium, a private club and a youth center.

People seem to agree that the elections may be a milestone for

Pakistan. But they disagree whether they will be a step toward or a step away from democracy.

General Zia's supporters say the voting will at last confer legitimacy on his government and vindicate the U.S. policy of supporting him with large amounts of military and economic aid.

But in Karachi, the stronghold of dissent against General Zia, who seized power in a coup in 1977, critics say the elections are so obviously tainted that they could spell the beginning of the end of his time in office.

Last week, hundreds of Zia opponents were rounded up and jailed in what the government called a preemptive measure to stop the opposition from encouraging a boycott that could cast doubt on the election's legitimacy. But even people sympathetic to General Zia concede that the move was a tactical blunder that highlighted the complaints of his critics.

Shahid Jami, chairman of the women's division of Tehrik-i-Insaf, another banned party, said: "I think we're going backwards. Zia is living in a fool's paradise. That's the state of mind that caused him to call this ridiculous election."

Critics say the height of General Zia's arbitrariness came in December, when election officials announced that voters had supported a referendum backing his efforts to bring Pakistani law into conformity with Islamic law. As he had promised to do before the referendum, General Zia construed the results as electing him to a five-year term in office.

Then he scheduled the legislative elections without saying what powers the new National Assembly would have. He has promised to let

the voters know about that issue "any day now," according to a Karachi newspaper.

The general's critics, discussing his promise to return Pakistan to civilian rule, note that he has promised an end to martial law since he took power in 1977.

They question not how big the turnout will be, but whether General Zia will lift martial law, resign as chief of staff of the army and share power with the National Assembly, as he has promised.

By all accounts, many people in the opposition agonized over their decision to boycott the election. Some members of the banned parties have bolted and are running for office as individuals or supporting candidates in defiance of the party leadership.

"The problem with the opposition is that it has no coherent strategy except to criticize," a Western diplomat said. "There's been no public outcry against the arrests. A lot of the rank and file in the opposition are disappointed with the decision to boycott and worried that it could backfire."

## Journalist Held 12 Hours

Police in Karachi released a local correspondent for the British Broadcasting Corporation on Sunday after holding him for 12 hours without giving a reason, Reuters reported from Islamabad, Pakistan.

Iqbal Jaffery, who also works for Time magazine and Danish radio, said plainclothes police took him from his home Saturday but never showed him a detention order. He said the Karachi police commissioner, Syed Sardar Ahmad, was "apologetic" and blamed the arrest on confusion between civilian and military security agencies.



WEST GERMAN CLASH — A leftist demonstrator held by a riot policeman is clubbed by another policeman during a protest in Frankfurt Saturday. Four demonstrators were injured and 35 were arrested in the protest over distribution of rightist leaflets.

# Pentagon and CIA Continue to Differ Over Estimated Soviet Military Outlay

By Don Oberdorfer  
Washington Post Service

WASHINGTON — The administration's civilian and military intelligence agencies have sought to present a common front on the question of Soviet military spending, but newly reported statements by a Pentagon official appear to keep open the gap between them.

The Central Intelligence Agency issued a five-paragraph press statement Friday emphasizing that despite a slowdown in the growth rate of Soviet defense spending, Moscow continues to outpace the United States by substantial margins "overall and in important specific categories."

The CIA statement was handed out by the Defense Department, whose Defense Intelligence Agency has publicized higher Soviet spending estimates than those of the CIA, a civilian agency. A CIA estimate made in congressional testi-

mony in November and released last week put that rate of growth at 2 percent.

Friday's CIA press statement was handed to Pentagon reporters with a brief message saying that it was "coordinated with the Department of Defense" and that "the Department of Defense endorses the analysis."

At the same time, Harvard University's Russian Research Center made available a speech there Feb. 14 by Norbert Michaud, chief of the strategic defense economics branch of Defense Intelligence Agency. Mr. Michaud said his agency estimated an increase of 5 to 8 percent in Soviet procurement of major weapons systems in 1983, measured in dollar terms, and "further increases" in 1984.

These increases were highlighted by a major Soviet shipbuilding program in 1983 and aircraft pur-

chases in 1984, Mr. Michaud said.

Acknowledging differences with CIA estimates, Mr. Michaud said his agency was "basically using CIA prices" for Soviet weapons, adjusted for a "learning curve" he did not explain. He said the main difference between the two intelligence agencies was over the quantity of Soviet weapons estimated to have been procured.

Robert Gates, the CIA's deputy director for intelligence, referred in congressional testimony released Thursday to "a stagnation in spending for military procurement after 1976" for the Soviet Union that lasted for "at least seven years from 1977 to 1983."

At another point Mr. Gates said the preliminary CIA estimates for 1983 "suggest that procurement may have experienced some modest growth over 1982." He described this conclusion as "tentative" because of the difficulty in estimating the distribution of costs over time and said another year of data is required before reaching conclusions about what is happening.

In its statement last week, the CIA said Mr. Gates' testimony as released by the Joint Economic Committee "presents a narrow view of Soviet military growth."

Emphasizing what it called "the broader context," the CIA said despite the decline in the Soviet growth rate, the cost of Soviet defense activities "has exceeded that of the United States by a large margin."

## Shultz Warns of 'Tyranny'

(Continued from Page 1)

would keep Nicaragua from becoming "another Cuba," deeply aligned to Moscow.

But if the rebels are denied aid, the United States might at some time in the future, in some unpredictable way, then have to act to protect its interests, the aide said.

Mr. Reagan, in his meeting with editorial writers, was asked why the

United States, if it was so concerned about the Sandinistas, did not just use its own troops.

He said that "was not a possibility" for the United States because "our own friends and allies south of the border, friendly nations and the Organization of American States, would not tolerate our going in with armed force in Latin America."

# Ethiopia Demands Israel Return Falasha Jews Who Went on Airlift

The Associated Press

ADDIS ABABA, Ethiopia — The Ethiopian government has demanded the return of Ethiopian Jews, or Falashas, who it says were kidnapped in an airlift to Israel.

A statement by the Foreign Ministry published Sunday in the government-owned Ethiopian Herald contended that the Falashas, known as Ethiopia's black Jews, were not Jews at all.

The government, the statement said, "calls on the international community to prevail on Israel to respond favorably to Ethiopia's demand for the orderly and immediate repatriation of the abducted citizens."

In one of its strongest attacks yet on the Israeli airlift, Ethiopia charged that thousands of Falashas were kidnapped with the connivance of neighboring Sudan, which

it said received \$1,000 for each person taken to the Jewish state.

"It is a serious affront to the sensibilities of world public opinion that the current drought and famine in Ethiopia should be invoked as an excuse for the Israeli-engineered, and Sudanese-assisted, massive kidnapping of the Falashas," the Foreign Ministry said.

"The entire operation conjures up the revival of the slave trade," it added.

"The Sudanese-Israeli conspiracy and act of brigandage is based on the claim that the Falashas are Jews. But this is a serious distortion of fact, for which there is no historical, archaeological or anthropological basis whatsoever."

Ethiopia mounted the operation last November to bring the Falashas from Sudanese refugee camps. It ended after news of the secret airlift

was leaked to the media. It is estimated that about 10,000 Falashas reached Israel through the airlift.

In the mid-1970s, Jerusalem's chief rabbinic declared the Falashas Jewish descendants of the ancient tribe of Dan. Falashas interviewed in Ethiopia have described themselves as Jews who have preserved their faith despite attempts to convert them to Christianity over the years.

The Foreign Ministry statement alleged that the Falashas faced racial persecution in Israel. "They are discriminated against in housing and the most menial jobs are reserved for them," it said.

The statement also charged that the Falashas were being settled in the "most precarious surroundings along the Israeli border to serve as cannon fodder in the event of hostilities."

## Rightists Call for Protest in Nouméa

Reuters

NOUMEA, New Caledonia — White settlers fighting independence for this French territory called Sunday for a day of protest against the expulsion of five rightist politicians.

The announcement came a day after militant Melanesians stopped the president of the territorial government, Dick Ukeiwe, from visiting his home island. They prevented his plane from landing by lying on the runway.

The anti-independence party, Rally for Caledonia in the Republic, said a mass march had been planned for Tuesday morning, hours after a midnight deadline for the expulsion.

A party statement said that people should stay away from work and urged shops and other businesses to close for the day to protest the order by Edgard Pisani, France's special envoy to the South Pacific territory.

The five men ordered expelled all members of the rightist Caledonian Front, have gone into hiding. "We affirm our decision not to leave," they said in a statement on Sunday, adding that they would "continue the fight against the arbitrary justice which victimizes defenders of a French New Caledonia."

Mr. Pisani ordered them expelled after clashes between police

and the militantly pro-independence Melanesians, or Kanaks.

That violence, on Feb. 17, erupted when several hundred settlers tried to stage a beach picnic in the Kanak stronghold of Tiou, a nickel-mining town on the main island's northeastern coast.

Two policemen and 11 Kanaks were injured in the fighting. France's prime minister, Laurent Fabius, backed the expulsion order on Saturday and rejected an appeal by Jacques Lafleur, leader of the Rally for Caledonia in the Republic, that the five men be allowed to stay in New Caledonia.

Mr. Lafleur, a member of the

French National Assembly, two weeks ago organized another confrontation with Mr. Pisani when he called for a mass violation of a night curfew.

On Saturday, officials said, about 150 Kanaks blocked the runway on the eastern island of Lifou as Mr. Ukeiwe's plane tried to land.

Mr. Ukeiwe, who opposes independence, said on his return to the capital, Nouméa, that the protest was an intolerable constraint on the right to travel.

He said he would soon go back to Lifou. Airport officials said all flights to the island, about 125 miles (201 kilometers) from Nouméa, had been canceled indefinitely.

Mr. Ukeiwe tried to visit Lifou, most of whose residents are against independence, following a stone-throwing incident there Friday in which a policeman's jaw was broken while he was driving a jeep.

Police said supporters of the Kanak Socialist National Liberation Front threw the stones. The wounded policeman was flown by helicopter to Nouméa.

That incident followed renewed violence on the territory's main island, which came after a month of relative calm.

About 20 persons have died since the Kanaks launched a campaign for independence in mid-November.

## WORLD BRIEFS

### Birth Control Implant Found Effective

NEW YORK (AP) — A contraceptive that is implanted under the skin of a woman's upper arm for five years at a cost of about \$60 has been found safe and effective by World Health Organization researchers, the Population Council has announced.

The six 1-inch (2.5-centimeter) capsules that provide contraception "winds up being the most effective contraception in the world, other than sterilization," said Dr. Wayne Bardin, vice president of the council and director of its Center for Biomedical Research, which developed the implant. The capsule-sized implants, tested by 16,000 women in the United States and 13 other nations, provides contraception by inhibiting ovulation in at least 50 percent of the women and preventing sperm from entering the uterus, Dr. Bardin said Saturday.

The implants, manufactured by a Finnish pharmaceutical company and called NORPLANT, contain no estrogen, making potential side effects minimal, he said. NORPLANT was approved for use in Finland two years ago; Sweden approved the contraceptive for use earlier this year. Application for U.S. Food and Drug Administration approval will be made this year. That agency's approval is expected in two to three years, Dr. Bardin said.

### Waste Cleanup Plan Proposed in U.S.

WASHINGTON (NYT) — The Reagan administration has proposed a five-year extension of the federal program for cleaning up toxic wastes that would impose a new tax on the disposal sites where wastes are dumped and double the states' share of the cost.

At a news conference Friday on the \$5.3-billion proposal, Lee M. Thomas, head of the Environmental Protection Agency, said the plan would allow the use of funds approved by Congress five years ago only to clean up hazardous waste problems and emergency spills.

Congressional Democrats attacked the Reagan plan as inadequate to clean up the 2,200 waste sites that pose the most immediate hazard. Commercial waste disposal companies said the new tax would pose an unfair burden on them, as did several state officials. The new proposals would require the states to double their share of construction costs at toxic waste sites.

### Guatemala to Hold Vote in October

GUATEMALA CITY (Reuters) — Presidential elections will be held in Guatemala in October, and the country will return to civilian rule in January, the Supreme Electoral Tribunal has announced.

Tribunal officials said at a brief ceremony on Friday that they, the head of state, General Oscar Mejia Victores, and the constituent assembly had approved an electoral timetable drawn up by the main political parties. The assembly would draft an electoral law by the end of May and elections would be held on Oct. 27. If necessary, a run-off ballot would take place on Nov. 24.

General Mejia Victores promised to hand power over to a freely elected government soon after taking power in a coup in August 1983. Guatemala has been ruled by military dictatorships or military-dominated governments for three decades.

### Kuwait Crown Prince Is Reappointed

KUWAIT (AP) — Kuwait's crown prince, Sheikh Saad al-Abdullah al-Salem al-Sabah, was reappointed prime minister Sunday and entrusted with the formation of a new Kuwaiti government by the ruler, Sheikh Jaber al-Ahmed al-Sabah.

The outgoing cabinet led by Sheikh Saad had resigned Saturday after elections for a new parliament. Since Kuwait gained its independence in 1961 the crown prince has always served as prime minister.

### Javits Enters a Hospital in New York

NEW YORK (AP) — Former Senator Jacob K. Javits of New York, who has had a progressive muscle and nerve disorder for several years, was rushed to a hospital on Sunday because of severe breathing problems, officials said. He was reported in stable condition.

Mr. Javits, 80, "was acutely ill on arrival due to conditions arising from his pre-existing chronic condition," said Ted Golden, a spokesman for New York Hospital. "He has since been stabilized."

The former senator, a Republican who represented New York from 1956 to 1980, was admitted to the hospital's intensive-care ward with "pulmonary complications," Mr. Golden said. He gave no further details.

### Sri Lankan Aide Found Dead in North

COLOMBO, Sri Lanka (Reuters) — A Sri Lankan official who had been abducted in Sri Lanka's northern region has been found dead, but another official seized with him has been released, government sources said Sunday.

They said that security forces suspected Tamil separatists of killing the official, who was identified as K. Gnanachandran, a government agent for the Mullativu district in northern Sri Lanka. His body was found Sunday in the Killinochchi district with gunshot wounds in the head. The officials said they did not know the motive for the killing.

Mr. Gnanachandran and Kirupa Thilagan, a director of planning in Mullativu, were abducted Friday from a bus at Parandam, 50 miles (81 kilometers) from the provincial capital of Jaffna. The sources said the guerrillas, who are fighting for a separate state for Tamils in northern areas, released Mr. Thilagan on Saturday. He was unharmed.

### Correction

In some editions of the International Herald Tribune of Saturday-Sunday Feb. 23-24, a photo caption incorrectly identified Haing Ngor, a star of the movie "The Killing Fields." The photograph also carried an incorrect credit. The credit should have specified that it was an Associated Press picture.

### Meredith Belittles Integration

(Continued from Page 1)

problem they could take advantage of. That was the object of the con job — to keep blacks separate."

Mr. Meredith told students and faculty that he thought American blacks were now worse off than at any time in history, including the period when they were enslaved.

He argued that integration has ruined black education by taking away from black parents the control of their children's education and antagonized whites to the point that they do not even want to hire blacks. Integration has also destroyed the black family, he said, as black children are told that white schools, white neighborhoods and white states are better.

Mr. Meredith predicted that unemployed black youths, who he said have robbed and torn down black neighborhoods, will soon start rampaging in white neighborhoods and the suburbs.

Like Bernard H. Goetz, the man who shot four minority youths who asked him for money on the New York subway, he predicted that more whites would buy guns and go after blacks, and "no one is going to blame them," he said.

Mr. Meredith sees himself as a "general" as blacks begin to respond to the racial conflict that he feels is imminent.

He said that whites are avoiding the "number one problem in America — race," by staying away from blacks whenever possible and thinking of themselves as good people for doing it.

He sees some hope in the generation of whites around the age of 30. They know firsthand, he said, how badly integration has failed because they had direct experience with it in school.

He said young Americans were guilty pigs in a "disastrous social experiment" that involved mixing children from different social classes in schools. He said these social classes could not mix anywhere.

"My research shows today whites age 30 and under are more racially conscious and hostile than whites over 30 because of desegregation," he said. "The schoolchildren of the past 20 years had to deal with it, they know the problems. Whites have developed hostilities people don't want to acknowledge."

The under-30 group, he said, know they do not want their children to go through the class and racial strife of school life that they experienced.



PROTESTERS ARRESTED — Washington state police remove protesters from the railroad tracks in Vancouver as they try to block passage of a train they believed was carrying nuclear warheads to the Trident submarine base in Bangor. About 106 were arrested.

# Israeli Troops Isolate 9 Shiite Moslem Villages

Reuters

SIDON, Lebanon — Israeli forces sealed off nine Shiite Moslem villages east of Tyre on Sunday and cut roads across their front lines in south Lebanon, Lebanese security sources said.

Fuel supplies were running out in the port of Tyre and there was in short supply in the Shiite town of Nabatiyah, where guerrillas twice attacked an Israeli post overnight Saturday, wounding three Israeli soldiers, the Lebanese sources said.

In Tel Aviv, an Israeli Army spokesman said that there had been shooting at Israel's liaison office in Nabatiyah, but that there were no casualties.

Israel said it killed nine armed Lebanese in two Shiite villages east of Tyre on Saturday.

## Karami Denounces Israel

Earlier, Ihsan A. Hifazi of the New York Times reported from Beirut.

Prime Minister Rashid Karami accused Israel on Saturday of waging a "real war" against Moslem villages in southern Lebanon and said his government was considering asking the United Nations Security Council to hold an emergency session to discuss the problem.

Beirut Radio quoted witnesses as saying that in the besieged town of Karoun in southeastern Lebanon,

Israeli soldiers told the residents over loudspeakers that the siege would not be lifted until gunmen who attacked an Israeli patrol in the area earlier in the week were handed over.

The radio said that the witnesses managed to escape over the mountains and side roads to Beirut.

The Israeli clampdown started Monday after three soldiers, including two officers, were killed in hit-and-run attacks by Shiite guerrillas.

The action against Shiite villages Saturday came after six attacks against Israeli positions in the Tyre sector Friday night, according to police sources.

The Lebanese National Resistance Front said in a statement published Saturday that its forces mounted 11 assaults on the Israeli Army in the previous 24 hours and that they used rocket launchers and mortars for the first time.

The front, believed to be an umbrella group for several Moslem and leftist factions fighting the Israelis, said that the fighting would continue until the last Israeli soldier has left Lebanon.

There has been an increase in the number of attacks by the guerrillas since the Israeli Army withdrew from the Sidon area to new lines farther south a week ago.

The Israeli Army has embarked on what Yitzhak Rabin, the defense minister, called an "iron fist" policy to suppress the Shiite guerrillas.

# Jordanians Reveal Text Of PLO Pact

(Continued from Page 1)

PLO's Tunis declaration and Mr. Hikmat's assertions Saturday led some Western officials in Cairo to express concern over whether progress toward the resumption of peace talks could be made in view of the apparently conflicting interpretations of the Hussein-Arafat document.

A Western official who has closely followed the Jordanian-Palestinian negotiations speculated that Jordan might have released the text of the accord to clear up misunderstandings about its contents.

The official also predicted that Israel would strongly criticize the agreement, since it calls for actions that Israel has consistently rejected.

The document calls for the "achievement of a peaceful and just settlement of the Middle East crisis" and "termination of Israeli occupation of the occupied Arab territories, including Jerusalem," based on five points.

In addition to its insistence on total Israeli withdrawal from occupied lands, it asserts that a joint peace bid should affirm the "right of self-determination for the Palestinian people."

Palestinians, the accord continues, will exercise this right "within the framework of the United Nations Charter and the relevant resolutions of the United Nations General Assembly and the Security Council."

Mr. Hikmat said it was "premature" to discuss the details of such a confederation. A senior Jordanian official said this was among several items about which Jordanians and the PLO were still negotiating.

The PLO has long insisted on the eventual creation of an independent Palestinian state; Jordan favors the creation of an entity in association with Jordan, which the Reagan administration has also endorsed.

Another principle for joint action calls for peace talks "under the auspices of an international conference in which the five permanent members of the Security Council will participate."

Mr. Hikmat stressed Saturday that the conference would include the Soviet Union, something to which both the United States and Israel have objected.

The accord also calls the PLO the "sole legitimate representative of the Palestinian people," but asserts that it will participate in any peace talks "within a joint delegation" of Jordanian and Palestinian representatives.

A Western official said this appeared to be a significant policy shift for the PLO, since efforts to revive peace talks collapsed in April 1983 over this issue.

Mr. Hikmat urged the Reagan administration on Saturday to revise its Middle East policies and endorse the accord as an important step toward an Arab-Israeli settlement.

■ Shamir Assails Agreement

Foreign Minister Yitzhak Shamir of Israel dismissed as "unacceptable" Sunday the joint strategy for peace in the Middle East developed by Jordan and the PLO. The Associated Press reported from Jerusalem.

"I think it is aimed more at influencing the United States to change its position toward the PLO rather than at furthering peace," Mr. Shamir said before leaving for a five-day trip to Western Europe.

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President Ronald Reagan at their Cal

The Rocky Ro To Better Bean

Earlier in this c Rockefeller family d and money to establi sates Park system in and New York, the lands National Park, dional Park in Maine Teton National Pa ming

Now a fourth-g Rockefeller, Lauran spent millions of do won't say how much- 4,000 acres 17,600 h farmland in the Ben valley about 100 mile miles northwest of City

"I was worried the on the verge of radi because of unpleas son," Mr. Rockefeller himself subdivided it into 10- to 100-acre p stringent restrictions and design of the The valley is enq more beautiful than Rockefeller moved i say, Los Angeles, po Low Beach, told The Times. "This place s ing as such." People w shacks, trailers and se But no longer

"Larry will go arou ly and if he seems s thinks is unattractive people if they cha he'll say to have it fix Lee Wolff, a neighbo fishing expert, "Born What would you L good to them."

Taking Candy From Babies

In reference to me small children, the K market chain has rem from at least one counter in each of its Los Angeles and Cincinnati. Snappers like Che are grateful. She said I old daughter, Cate, b of grabbing a sweet tr moved through the line. "It drives me c Yelling said, "If I'

Pol Sug For Ref

By Steve Lohr New York Times Ser

SYDNEY — Prime Bob Hawke appears to lered a significant loss support over his reversal, her pledge to Washington the use of Australian base for an MX missile test.

A Morgan-Gallup poll Wednesday indicated the first time since Mr. Ha elected in March 1983, si his Labor government. I that for the Conserva tive

Mr. Hawke made the 1 son this month after a re party. The results of the r on a sampling taken after sion, indicated that suppo nor was down 7 percent since late January, to 43 and that backing for the C tive opposition had climb centage points, to 47 per public approval rating. Hawke fell from 65 per cent.

The MX controversy considerable damage Hawke personally and i thority. Said Malcolm M a senior lecturer and poli lya at the Australian Force Academy in Canbe

Internationally, the effe Australian reversal was n because it came immediat New Zealand refused a po a U.S. destroyer unless the ment was assured that the ned no nuclear weapons.

The reversal on the N indicated that Mr. Hawke the depth of anti-nuclear s in his own party. The publi ing that resulted, cour

MEMORIAL NOTIC



## AMERICAN TOPICS



President Ronald Reagan and his wife, Nancy, displaying their new bright red pickup truck at their California ranch. The 1985 Ford Ranger was a joint Christmas present.

### The Rocky Road

#### To Better Beaverkill

Earlier in this century, the Rockefeller family donated land and money to establish the Palisades Park system in New Jersey and New York, the Virgin Islands National Park, Acadia National Park in Maine and Grand Teton National Park in Wyoming.

Now a fourth-generation Rockefeller, Laurence, 40, has spent millions of dollars — he won't say how much — to buy up 4,000 acres (1,600 hectares) of farmland in the Beaverkill river valley about 100 miles (160 kilometers) northwest of New York City.

"I was worried the valley was on the verge of radical change, because of unplanned subdivision," Mr. Rockefeller said. He himself subdivided the land, but into 10- to 100-acre parcels, with stringent restrictions on the location and design of new buildings.

The valley is unquestionably more beautiful than when Mr. Rockefeller moved in, residents say. Les Kuttner, postmaster at Lee Beach, told *The New York Times*, "This place was becoming so ugly. People were living in shacks, trailers and school buses. But no longer."

"Larry will go around the valley and if he sees something he thinks is unattractive, he'll ask people if they'd change it and he'll pay to have it fixed up," said Lee Wulff, a neighbor and fly-fishing expert. "Some resent it. What looks ugly to Larry, looks good to them."

### Taking Candy

#### From Babies

In deference to mothers with small children, the Kroger supermarket chain has removed candy from at least one checkout counter in each of its stores in St. Louis and Cincinnati.

Shoppers like Cherry Yellig are grateful. She said her 3-year-old daughter, Cate, had a habit of grabbing a sweet treat as they moved through the checkout line. "It drives me crazy," Mrs. Yellig said. "If I'm coming

through in the evening, it's a fact that I don't want her eating candy before dinner."

Kroger's new policy has yet to be extended to its other stores throughout the Midwest, and some marketing experts are disturbed. Sweets have been a fixture on grocery store counters since the days of gum drops and penny candy.

Herbert W. Page, a former sales executive with Borden Foods, said candy at checkout counters sells three times as much for each square foot of space as the rest of the store. Shelly Grossman of the National Candy Association, a trade group, said, "Discipline begins with the parent, and our attitude is the product should be available."

### Short Takes

At age 26, the Barbie Doll, which evolved from the girl next door to a beach-lounging woman of leisure, while dabbling at being a nurse and an astronaut, has changed her ways again. Today her lifestyle calls for business suits, a tiny attaché case, even a car.

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### Notes About People

The current must for White House reading is Tom Clancy's "The Hunt for Red October," about an attempt to defect with the Soviet Union's most advanced nuclear submarine. The New York Times reports that Nancy Reynolds, a Washington lobbyist, called it to the attention of a friend, Nancy Reagan, who enjoyed it and handed it to the president, who is said to be interested in it. Robert C. McFarlane, the president's national security adviser, also is reading the book, as are other White House staff members. "Red October," by the way, is the No. 1 best-seller at Pentagon bookstores.

President Ronald Reagan, in a

widely reprinted interview with the Santa Barbara (California) News-Press during his recent visit to his ranch, said he expects that after his second term he and Mrs. Reagan will live in Los Angeles and vacation at the ranch, which would be "too secluded" to stay at all the time. How about living in Palm Springs, California, where the Reagans usually spend New Year's? The president replied, "I've never been a great aficionado of the desert."

Jeane J. Kirkpatrick is a life-long registered Democrat even though she addressed the Republican National Convention last summer and is finishing out a four-year assignment at the United Nations for President Reagan. She says, "There's no question about whom I support. I think that once I'm out of this office I'll have time to think about it and maybe find my way out to a registration place."

Paul Douglas, the former attorney general of Nebraska, was convicted on a perjury charge in connection with the failure of a savings company. His lawyers appealed, alleging 36 judicial errors in the conduct of his trial. A state judge denied the appeal, ruling that Mr. Douglas was entitled to a fair trial "but not a perfect one."

### Wondering About

#### Craven Images

A letter from Columbia, South Carolina, to *The New York Times* gently takes one of *The Times*'s book reviewers, Christopher Lehmann-Haupt, to task for remarking, in a review of Gail Godwin's "The Finishing School," that "if the book has a minor flaw, it is the name given to an old admirer of Justin's mother — a Southern boy, for whom she once saved the last dance, named Craven Ravenel."

The letter asks, "I wonder if Justin's mother would have saved the last dance for Christopher Lehmann-Haupt, a Yankee boy no doubt."

The letter is signed DuVal Cravens Ravenel.

— Compiled by ARTHUR HIGBEE

## Poll Suggests Hawke Lost Support For Refusing to Let U.S. Test Missile

By Steve Lohr

New York Times Service

SYDNEY — Prime Minister Bob Hawke appears to have suffered a significant loss of public support over his refusal to allow the United States to test an MX missile in Australia.

A Morgan-Gallup poll published Wednesday indicated that for the first time since Mr. Hawke was elected in March 1983, support for his Labor government fell below that for the Conservative opposition.

Mr. Hawke made the MX decision this month after a revolt in his party. The results of the poll, based on a sampling taken after for a decision, indicated that support for Labor was down 7 percentage points since January, to 43 percent, and that backing for the Conservative opposition had climbed 6 percentage points, to 47 percent. The public approval rating for Mr. Hawke fell from 65 percent to 57 percent.

"The MX controversy has done considerable damage to Mr. Hawke personally and to his authority," said Malcolm Mackerras, a senior lecturer and political analyst at the Australian Defense Force Academy in Canberra.

say, has undermined the prime minister's authority, raising questions about his ability to cooperate militarily with the United States and his capacity to gain legislative approval for economic changes needed to make Australia more competitive internationally.

The impression that Mr. Hawke may be losing control over the Labor Party has particularly worried the business world. Mr. Hawke, 55, a former trade union chief, has taken the unusual course for a Labor Party politician of championing such free-market policies as floating the Australian dollar, deregulating the financial system, and lowering protective tariffs and quotas that shield certain domestic industries.

The prime minister and the treasurer, Paul Keating, are the principal advocates of these policies in the government and in the Labor Party's right-leaning faction.

The strong opposition to Mr. Hawke's original position on the MX test came from the left, and his reversal was a show of strength by the left. Business leaders say they are concerned that the left may now challenge the prime minister on economic policy.

"The danger is that the free-market philosophy pushed by Hawke and Keating will be under greater pressure," said Stuart A. Fowler, a senior executive of Westpac Banking Corp., the nation's largest private bank.

The increased uncertainty about the economy after the MX shift has been registered in the foreign exchange markets. Since the beginning of the month, the value of the Australian dollar has dropped 14 percent, to about 71 cents to the U.S. dollar. The Australian dollar has also declined by nearly 10 percent against the British pound, the Japanese yen and the West German mark.

high government budget deficit, and signs of a resurgence in industrial disputes.

But the MX issue appeared to be the catalyst. The declining Australian dollar, *The Melbourne Age* said Friday in an editorial, "reflects a global loss of confidence."

It added: "The MX missile crisis drew attention to Australia and cast doubt on the political strength and stability of the Hawke government."

Mr. Hawke's retreat on the MX missile test has been seen as a victory for the growing anti-nuclear movement in Australia. In the general election in December, the new Nuclear Disarmament Party won 10 percent of the vote. The party called for the withdrawal of Australia from the ANZUS treaty with New Zealand and the United States, the closing of all American military installations in Australia, a ban on visits by nuclear ships and warplanes, and a ban on the mining and exporting of uranium.

Democrats collected 10 percent of the vote. They have a similar anti-nuclear platform but are not a single-issue party.

"Hawke has always had the view that the disarmament movement was something on the fringe of Australian politics," said Peter Garrett, 31, a rock star who is the principal spokesman of the Nuclear Disarmament Party. "But it does run across the political spectrum. There's no doubt of that now, after the MX issue."

Some political analysts question whether Mr. Hawke's turnaround was an indication of the mainstream strength of the anti-nuclear movement.

"The speed with which Hawke cut and ran may not have been wise," Mr. Mackerras said. Andrew Peacock, leader of the opposition Liberal Party, struck the same theme Friday. "Hawke didn't fight for Australia," Mr. Peacock said. "He caved in to the left."

## U.S. Senate Settles a Dispute, Prepares for Another

By Steven V. Roberts

New York Times Service

WASHINGTON — The Senate has resolved one acrimonious dispute over farm credit measures but has set the stage for another skirmish over the same issue this week.

The agreement reached Saturday ended a weeklong filibuster against the confirmation of Edwin Meese 3d, who was later approved as attorney general.

The farm-credit compromise, approved by the Senate leadership, provided that members from both parties can offer proposals for additional aid to farmers who are seeking financing to start spring planting. The proposals, from each party, would be offered as amendments to an African famine relief bill that is scheduled for floor action Monday.

President Ronald Reagan, who previously criticized the linking of the farm credit proposals to the Meese vote, said Saturday in his weekly radio broadcast that only a minority of farmers were in severe

financial distress and that the taxpayers must not be asked to save every farmer.

While lawmakers congratulated one another Saturday on reaching the accord, many acknowledged that the ferocious clash on the first major issue of the new Congress was "a bad way to get started," as Senator Robert C. Byrd of West Virginia, the Democratic minority leader, put it.

To many senators, the week of debate on the farm problems signified the beginning of a campaign for political advantage leading up to the elections of 1986, when control of the narrowly divided Senate will be decided.

The week also provided the first real test of Senator Robert J. Dole, the new majority leader. Many Republicans said it was essential for their party to face down the filibustering Democrats and demonstrate their control of the Senate.

Saturday's agreement ended a frustrating week of false starts and failed talks that set Senate tempers

boiling. At the peak of animosity, Mr. Byrd told the Senate early Saturday morning that the Republican message was, "Let the farmers go to hell."

The week began when farm state senators saw that by holding the Meese nomination hostage they could focus attention on the farm credit issue. After several days of talks between lawmakers and administration officials, the White House agreed to expand existing loan programs and make them easier to use.

Those changes, which did not require legislation, were put into practice by the administration Friday. But the filibuster continued because lawmakers could not agree on a formula that would permit Democrats to offer a package of legislative proposals on the farm issue that go beyond the administrative changes made.

The talks collapsed early Saturday morning over that issue. After a few hours sleep, Mr. Byrd held a breakfast meeting with his Demo-

cratic colleagues and planned strategy to continue their filibuster. However, Mr. Dole and the Republicans came forward with a new offer, and an agreement was quickly hammered out by mid-afternoon.

The Democrats are eager to offer amendments this week calling for even more generous loan programs to farmers. Senator J. James Exon, Democrat of Nebraska, said on the floor Saturday that it was "vital" to go beyond the measures agreed to last week and put more cash into farmers' pockets by making crop payments available now that are usually made available in the fall.

The Republicans strenuously resisted any agreement that would assure the Democrats a chance to offer amendments. Many farm-state Republicans are up for reelection next year, and they do not want to cast votes that could be used against them in the campaign.

"They're paranoid about the 1986 elections and losing the Sen-

ate," said Senator Edward Zorinsky, Democrat of Nebraska. "This creates a record for the 1986 election as to who truly supports agriculture and who doesn't."

"Farm Belt senators would be put on the record," he added. "They would have to make a choice between following their party line or voting for their farmers. That's the bottom line."

Mr. Reagan, delivering his weekly radio address Saturday, said: "About two-thirds of today's farmers have no debt problems and only a minority of the remainder are in severe financial distress."

Mr. Reagan said that "inflexible" federal farm programs, "have increased dependency on the federal government, weakening incentives for self-reliance."

He said that the federal government had some responsibility for providing relief. "The same government which played a part in this unhappy drama must not turn away from those who are the backbone of our nation," he said.

## AFL-CIO Accepts Plan To Reinvigorate Unions

By Peter Perl

Washington Post Service

BAL HARBOUR, Florida — Leaders of the 13-million-member AFL-CIO, the nation's largest labor federation, have adopted a proposal for reinvigorating organized labor, including more mergers of its 96 unions, new recruitment methods, better use of the media and new cooperative and confrontational tactics for dealing with employers.

The changes were recommended by a 25-member study committee of the American Federation of Labor and Congress of Industrial Organizations and in most cases they would have to be approved by individual unions. The document was approved Thursday by the federation's executive council.

It proposes that collective bargaining agreements include use of arbitration or mediation rather than strikes, and it recommends emphasizing the new concerns of workers.

The report acknowledges that "unions find themselves behind the pace of change" in American society and concludes that "the seeds of a resurgence" for labor lie in undertaking new strategies and reactivating old ones.

Its recommendations result from public opinion surveys about unions and from reports commissioned by the AFL-CIO from experts at Harvard University, Massachusetts Institute of Technology, Xerox Corp. and other institutions.

The recommendations include:

- Actively promoting mergers to improve the bargaining power of individual unions and adopting new guidelines for mergers. (The AFL-CIO announced Thursday the tentative merger of the 241,000-member Paperworkers and the 124,000-member Oil, Chemical and Atomic Workers into the United Paperworkers, Energy and Chemical Workers.)

- Establishing new categories of union membership at nonunion workplaces. By offering benefits such as supplemental medical or life insurance, job-training assistance or other inducements, unions could set up low-cost membership to "introduce nonunion workers to the benefits provided by union representation."

- Setting up new mechanisms to stop costly battles between unions competing to organize the same group of workers. More than 10 unions, for instance, are campaigning to represent Ohio public employees.

- Experimenting with new forms of collective bargaining. Workers often do not want traditional "adversarial" bargaining and formal employment contracts, the report said. Unions could therefore instead provide "advocacy for individuals" and could "negotiate minimum guarantees that will serve as a floor for individual bargaining." Such approaches are used by unions representing musicians and actors.

- Expanding union use of electronic media to combat the "near invisibility" of unions on television.

### St. Vincent Official Resigns

The Associated Press

KINGSTOWN, St. Vincent — The governor general of St. Vincent and the Grenadines, Sir Sydney Gue-Munro, has resigned. It was announced by the office of Prime Minister James Mitchell. Joseph Lambert Eustace, a retired schoolteacher, has been named to succeed him.

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## In CBS Suit, Westmoreland Saw 'No-Win Situation'

By M.A. Farber

NEW YORK — General William C. Westmoreland's decision to settle his libel lawsuit against CBS last week was prompted, according to his friends, by his demoralization over damaging testimony of his former aides and his feeling that, however right he was, he was in a "no-win situation."

The general knew from pretrial depositions how witnesses were likely to testify. Nevertheless, his friends said, General Westmoreland was so shaken by the willingness of his former intelligence chief in Vietnam to "break the old West Point tie" and take the witness stand against him that he was open to a proposed agreement that bore a close resemblance to an offer made by CBS a year ago.

A proposal in February 1984, nine months before the trial began, said, as did last week's joint statement, that both sides believed their positions had been "placed before the public," that the television network recognized General Westmoreland's service to his country, and the general respected the rights of journalists to present views "contrary to his own."

General Westmoreland's suit arose from a 1982 CBS documentary, "The Uncounted Enemy: A Vietnam Deception." It charged a conspiracy by the general's command in 1967 to show progress in the war by underestimating enemy strength.

The 1984 statement said that General Westmoreland "believes that the broadcast was prejudicial in concept and execution." The agreement reached last week does not. The 1984 proposal said that CBS News "stands by the accuracy and fairness of its broadcast." In the final agreement, this language was reserved for a separate statement by CBS.

Although the settlement seemed sudden, there lies behind it a three-year-old story of failed efforts to

resolve a case that eventually required 18 weeks of trial and cost the litigants millions of dollars.

On Monday, when the end came, both sides laid claim to victory, but while CBS officials and their lawyers were privately toasting one another with champagne and diet soda, General Westmoreland's camp was bitterly divided over whether the general could have obtained a better outcome — either earlier from CBS, or, later, from the jury.

CBS stressed that General Westmoreland had received neither money nor an apology and that the network stood by its documentary. The general, who commanded the U.S. forces in Vietnam from 1964 to 1968, underscored a passage in the joint statement that said the network respected his "long and faithful service to his country and never intended to assert, and does not believe," that he "was unpatriotic or disloyal in performing his duties as he saw them."

"If that statement had been made after the CBS program was aired, it would have satisfied me," the 70-year-old general declared at a press conference last Monday, standing beside Dan M. Burt, his chief attorney. Indeed, General Westmoreland said, had that statement been issued at any time since the broadcast on Jan. 23, 1982, "it would have ended the episode."

To prevail in his suit, the general had to prove not only that the broadcast was false but also that CBS knew it was false or acted with reckless disregard for its truth or falsity. The first issue was called the "truth" issue; the second, the "state of mind" issue.

In recent weeks, as CBS put on a series of military witnesses, the general had become overwhelmingly concerned with losing on the "truth" issue. He worried that the jury would be unable to distinguish what had actually happened in Vietnam in 1967 from what some witnesses simply recalled they had

told CBS during the preparation of the program.

"If the jury had found against Westmoreland on truth," said Jay Schulman, a political scientist who was one of Mr. Burt's closest advisers on the case, "the trauma of defeat would have been too much. That was the fulcrum concern."

Mr. Schulman said that General Westmoreland was "running profoundly scared" of the testimony for CBS this month by his former aides, not so much because of what they would tell the jury but because their very appearance on the witness stand undermined him.

General Westmoreland's former intelligence chief, Major General Joseph A. McChristian, testified Feb. 6 that General Westmoreland had acted improperly and for "political" reasons on one occasion.

"It was a perplexing thing to me to see someone like McChristian testifying," General Westmoreland acknowledged last week. He told friends that the trial had come to "look like a no-win situation."

Both General Westmoreland and General McChristian are retired from the military.

Mr. Burt, who is president of the conservative, Washington-based Capital Legal Foundation, which supported the general's suit, shared his client's growing pessimism and was under other pressures as well. Having spent more than \$3 million, he was \$500,000 in debt on the case. Each day, his expenses mounted.

Meanwhile, CBS had become increasingly confident of winning the "state of mind" element of a jury verdict, making it impossible for General Westmoreland to receive an award.

But lawyers for the network were concerned about the public relations impact of losing on the "truth" issue — as Time magazine had suffered from the loss on that issue in the libel suit brought by former Defense Minister Ariel Sharon of Israel.

"If Westmoreland was ready to drop the suit on the right terms, it was in some ways better than winning a jury verdict," said a CBS lawyer who asked not to be identified. "Westmoreland could always attack a verdict that went against him. This, he couldn't. Besides, CBS simply had to respond to his offer. It couldn't be seen as trying to pursue an old man and drive a stake in his heart."

Following a controversy over "The Uncounted Enemy" in the months after its broadcast, CBS proposed airing a 45-minute follow-up discussion program, with an additional 15 minutes for General Westmoreland to state his views. The general, however, demanded a published apology, a "full retraction" on the air that met his approval and "was not less than 45 minutes in duration," and some payment.

He also sought access to a CBS internal investigation of "The Uncounted Enemy" conducted by a senior producer, Burton Benjamin. The report criticized some aspects of the documentary's preparation.

On Sept. 13, 1982, General Westmoreland, who lives in South Carolina, filed suit there. "There is no way left," he said, "for me to clear my name, my honor and the honor of the military."

In addition to CBS, the suit named George Crile, the producer of the documentary, Mike Wallace, its narrator, and Samuel A. Adams, a former Central Intelligence Agency analyst who was a paid consultant for the broadcast.

The first overtures toward settlement were made in October 1982, when CBS asked its local counsel in South Carolina to talk the matter over with a nephew of General Westmoreland's who is a lawyer. The talks got nowhere, although they were briefly resumed when, in November 1982, CBS won a motion to move the case from South Carolina to New York.

Around the same time, Paul

Thompson, a retired general who had been an editor at Reader's Digest, tried to mediate for General Westmoreland. As a result of Mr. Thompson's intervention, Mr. Burt said, he met in November 1982 with George Vradenburg 3d, CBS's general counsel.

"I said, 'Give us an apology and lots of money' — lots of money being only a negotiating ploy," Mr. Burt recalled. "Vradenburg said no."

Frank Stanton, a former CBS president, also tried to arrange a settlement. But when General Westmoreland insisted on an apology, a monetary payment and free air time, without a rebuttal by CBS, the network concluded that a middle ground could not be found.

Another attempt to settle the case was made in the fall of 1982. General Maxwell D. Taylor, who is also retired, was approached by Roswell L. Gilpatric, a CBS board member. Mr. Gilpatric proposed a half hour of air time for General Westmoreland, coupled with a statement by CBS that it never intended to impugn the general's patriotism. The offer was rejected.

In the spring of 1983, the judge in the case, Pierre N. Leval, approved Mr. Burt's motion to force CBS to release the Benjamin report. Just before that approval, the chief lawyer for the network on the case, David Boies, let Mr. Burt know that CBS would never settle at a point when something embarrassing to it had just occurred.

In February 1984, in an extension of Mr. Gilpatric's effort, CBS proposed making a statement in which it said that it continued to stand by the "accuracy and fairness" of the documentary but did not intend to question either the general's patriotism or his "loyalty to this country or to the presidents he served for so many years."

The statement contained some language and ideas that were nearly identical to the joint statement



Principal figures in the CBS libel case were: Clockwise from left, above, Mike Wallace, George Crile, Samuel A. Adams, General William C. Westmoreland, retired, and Major General Joseph A. McChristian, retired.



agreed upon last week, but it was rejected. Mr. Burt, according to CBS legal sources, objected at that time to any reference by CBS that it supported the broadcast.

In the summer of 1984, Judge Leval appointed a mediator, Stephen E. Kaufman, to try to produce a settlement that might include a broadcast on CBS by General Westmoreland that would not be immediately rebutted by the network.

CBS and the general are believed to have been receptive to the idea of the program, but Mr. Burt continued to press for an apology and money.

Just before the trial started on Oct. 9 — and again in late November, when Mr. Burt was saying publicly that a settlement was less likely than "a bear coming down Fifth Avenue in a pink tutu with a reefer" — he and CBS exchanged proposals for resolving the case.

The network's statement again contained references to the general's loyalty, and CBS indicated that it might pay \$500,000 toward Mr. Burt's legal fees. But Mr. Burt was said to have demanded a seven-figure sum, perhaps as much as \$5 million.

"The insurmountable thing was a retraction or apology," a CBS lawyer said. "Money was never an issue with either side except as a symbol."

Before the Christmas recess, Mr. Burt and Mr. Boies met in a jury room. For the first time, Mr. Burt said he was prepared to settle without money.

He wanted CBS to say it had learned as a result of the case that General Westmoreland had "honestly and accurately" reported enemy troop strength in 1967 and, had

this information been available in 1982, it would have been included in the broadcast. CBS refused.

Last week, with CBS buoyed by its prospects on the "state of mind" if not the "truth" issue, Judge Leval informed the lawyers that Mr. Burt would have to prove his case by "clear and convincing" evidence, rather than the lesser standard of a "preponderance" of the evidence. In addition, he said, the jury would vote individually on "truth" and "state of mind."

"Even if we lost on the truth issue," a CBS lawyer speculated, "the headline on the day of the verdict would read: 'CBS Wins.'"

Still, the lawyer said, Mr. Boies told Mr. Burt that he was amenable to waiving a jury verdict and letting the judge decide the case. Mr. Burt declined.

On Feb. 13, soon after General McChristian's testimony and immediately following the start of the cross-examination of another former Westmoreland aide, Colonel Gains Hawkins, Mr. Burt called Mr. Vradenburg.

When they met on Feb. 15, Mr. Burt told the CBS counsel that he was still interested in settling. He sent the CBS lawyer a suggested joint statement that resembled his proposal just before Christmas. He also promised, in effect, not to revive his pretrial attacks on CBS regarding the documentary. Mr.

Vradenburg consulted Mr. Boies and on Feb. 16 called Mr. Burt.

According to Mr. Burt, Mr. Vradenburg said, "You know, we aren't that far apart." But the CBS lawyer is said to have told Mr. Burt that his proposal was unacceptable. Mr. Vradenburg went back to the statement CBS had offered in February 1984, modified it so that the phrase about CBS standing by the documentary would appear only in a separate statement by the network, and sent a copy to Mr. Burt, according to a CBS lawyer.

On Feb. 17, after some changes — the word "faithful" was inserted to describe General Westmoreland's service to his country and the word "distinguished" was used to describe CBS's journalistic tradition — senior CBS officials saw the joint statement at Mr. Boies's law office. They were jubilant.

General Westmoreland, who was aware that an agreement was under discussion, was in Garrison, New York, on Feb. 16. Mr. Burt read him the joint statement by phone.

"I listened to it, and I thought it made sense," the general said. "I know the historians can deal with a case like this but a jury — well it could have been a disappointment, a flip of the coin. I had to decide whether to fight or compromise. Now, I've made a lot of decisions in my life. You weigh them. You make them. And you forget them."

## Cypriot Leader Rejects Assembly's Demand to Accept UN Pact

By Henry Kamm

NEW YORK — President Spyros Kyprianou of Cyprus has rejected a demand by parliament that he either accept a United Nations-sponsored draft agreement with Turkish Cypriots or order new presidential elections.

In parliament Friday, the two leading parties, the conservative Democratic Rally and the Communists, combined to censure Mr. Kyprianou by a vote of 23-12. They demanded that the president accept the draft agreement for a settlement of the Cyprus dispute

prepared by the UN secretary-general, Javier Pérez de Cuéllar. This would reverse Mr. Kyprianou's rejection of the document last month, when he met in New York with Rauf Denktaş, leader of the Turkish Cypriots, and the secretary-general.

The resolution demanded that if Mr. Kyprianou refused to accept the agreement, he must call new presidential elections. Under the constitution, the president is elected for a five-year term, and his tenure is not affected by parliamentary votes. Mr. Kyprianou's term runs until 1988.

In a long and angry statement issued Saturday, the president accused the extreme left and right of collusion against his centrist leadership and of trying "a political coup."

But Mr. Kyprianou said he recognized that the parliamentary action created a crisis that obliged him to make decisions, which he did not specify. He said he would announce them next week.

Cypriots and diplomats said the conflict could render Cyprus ungovernable. In the roll-call voting Friday on four motions, none of the 35 members deviated from his party's

position. All were present, and all voted in party blocs.

Mr. Kyprianou's Democratic Party holds 9 seats, the Communists 12, the Democratic Rally 11 and the Socialists 3. Both Communists and conservatives have affiliated labor unions and have a history of calling on them for political ends.

Mr. Kyprianou was elected with the support of the Communists, who are close to the Soviet Union. He renounced their support in December, before the New York meeting.

Political analysts say they as-

sume he acted because he felt uneasy in this marriage of convenience and hoped, with his move and with successful negotiations with Mr. Denktaş, to gain the backing of Glafkos Clerides and his conservative party.

But the two principal parties surprised Mr. Kyprianou with their harsh criticism of his performance in New York. It is assumed in Cyprus that the failure of the talks was caused by the two leaders' different conceptions of the nature of the meeting, which followed separate negotiations conducted by Mr. Pérez de Cuéllar with each of them.



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Photo by Mitsumasa Fujitsuka

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# CYPRUS

A SPECIAL REPORT

MONDAY, FEBRUARY 25, 1985

Page 7

## Economic Recovery And Stagnation Sit Just a Street Apart

By George Coats

NICOSIA — A walk across the Green Line that divides Nicosia encapsulates the economic differences between the Turkish-occupied north and the Greek Cypriot south. The stagnation immediately visible in the shabbiness of northern Nicosia contrasts with the bustle of the south. The north is a driver's paradise, its roads almost devoid of traffic, apart from trucks carrying fresh produce, unlike the cluttered highways of the south.

The situation is different from a decade ago. Then, the Turkish Army's invasion of the previous year left more than a third of the island, containing, according to Cypriot government estimates, some 70 percent of the island's economic and natural resources, as the inheritance of the newly gathered together Turkish Cypriot community, making up 18 percent of the Cypriot population.

The Greek Cypriot south, on the other hand, was faced with the task of absorbing 170,000 refugees from the north, about one-fifth of the island's population, raising unemployment to 25 percent. In 1974 and 1975, the gross domestic product fell by 18 percent and 20 percent respectively, and pessimism about the island's future was reflected in emigration figures from the south of 5,400 and 5,600 in 1975 and 1976.

But in the south, the turnaround was rapid. A decision was made to return to pre-invasion economic levels as quickly as possible through the implementation of a series of short-term action plans. By 1978, the south was back to full employment, and a year later the 1973 per-capita income level was reached.

However, this economic miracle, a term disliked by Cypriot planners, was achieved at considerable cost, and many of the structural weaknesses created then are demanding solutions now.

After 1974, priority was given to housing and employing the refugees from the north. Further infrastructural projects such as the construction of schools, roads, ports and Larnaca airport were also given preference. This was achieved by deficit financing and the encouragement of labor-intensive investment.

Private overconsumption has meant that gross domestic savings have been inadequate to fund public investment, resulting in a reversal of Cyprus's traditional policy of balanced budgets. Since 1976, the investment ratio of 36 percent of GDP, one of the highest in the world, has been financed by borrowing. The current foreign debt stands at about \$350 million, or 40 percent of GDP, a considerable burden for an economy of 600,000 people, and its debt-servicing ratio was 10.7 percent in 1984.

The initial emphasis on labor-intensive low technology absorbed the unemployment, and the loss of the farm lands of the Mesoria

plain tilted the balance of the economy away from agriculture toward manufacturing and services. Agriculture contributes about 9 percent of GDP and employs around 21 percent of the workforce, down from the pre-invasion totals of 20 percent and 40 percent respectively, while manufacturing contributes 17 percent of GDP.

But the manufacturing sector is characterized by small-scale, family-run businesses employing an average of between four and five persons. As such, it exhibits all the strengths, but also all the weaknesses, of marginal producers. In addition, Cyprus's traditional wage-indexing system meant that labor costs rapidly outpaced productivity, leading to economic overheating. Cyprus's lack of energy resources resulted in a considerable boost in the inflation rate after the 1973 oil price increase. Inflation was running at 13.5 percent by the early 1980s.

Nevertheless, other external factors have assisted the south's recovery. Greek Cypriot entrepreneurs moved quickly to exploit the Arab oil boom. In addition, Cyprus's newly introduced offshore legislation was in place in time to benefit from the decline of Beirut in the mid-1970s. The result has been that the Middle East has now replaced Western Europe as Cyprus's major export market, taking about 50 percent of the south's goods and services, against 30 percent for Western Europe, a halving of the pre-invasion proportion.

The drop in oil prices and more modest wage increases, which last year for the first time approximated the productivity rise of 3.3 percent in real terms, have reduced inflation, which amounted to 6 percent in 1984 but is again showing an upward trend.

The south's economy is far from out of the woods yet. The current

(Continued on Page 10)



Raouf Denktaş

## AN ISLAND DIVIDED

30 Years of Tension And Negotiations

1955 Greek Cypriot nationalists launch EOKA, guerrilla organization against the British colonial administration, in favor of Enosis, the political union of Cyprus with Greece. Turkish Cypriot nationalists form TMT, whose goal is the partition of Cyprus between Turkey and Greece.

1960 Independent republic of Cyprus is created under joint Greek Cypriot and Turkish Cypriot administration. Archbishop Makarios becomes president. The republic is guaranteed by Britain, Greece and Turkey.

1963 Archbishop Makarios submits proposals to amend the constitution. Fighting breaks out. Turkish Cypriots withdraw from the government.

1964 United Nations peace-keeping forces arrive. UN-sponsored intercommunal talks begin to resolve differences.

1974 Intercommunal talks appear to be on the verge of agreement. Greece launches a coup against the Makarios government. Archbishop Makarios escapes and eventually returns as president. In the interval, Turkish troops land in Cyprus and occupy 37 percent of the island.

1975 Intercommunal talks resume under United Nations auspices.

1977 Archbishop Makarios and the Turkish Cypriot leader, Raouf Denktaş, meet. The two sides agree on a bizonal, federal, nonaligned and



Spyros Kyprianou

independent republic as the basis for a settlement. Archbishop Makarios dies. He is succeeded by Spyros Kyprianou.

1978 Mr. Kyprianou and Mr. Denktaş meet, ratifying and extending the Makarios-Denktaş guidelines.

1983 Greek Cypriots raise Cyprus issue at the UN General Assembly. Turkish Cypriots pull out of the intercommunal talks. Turkish Cypriots unilaterally declare the occupied zone as the Turkish Republic of Northern Cyprus. Turkey recognizes the republic. The UN launches new peace efforts.

1985 Mr. Kyprianou and Mr. Denktaş meet at the UN in January. The two sides fail to agree on a draft settlement.

## UN Peace Effort: The Key Word Is Momentum

By Andriana Ierodiaconou

NICOSIA — The divided Greek and Turkish Cypriots happen to have an idiomatic expression in common: "The sugar is in the water." In both Greek and Turkish, this is to say that a situation is urgent.

The sugar is certainly in the water, after the failure of the January peace talks in New York between President Spyros Kyprianou and the Turkish Cypriot leader, Raouf Denktaş. Their meeting was the result of more than a year of diplomatic effort by the United Nations secretary-general, Javier Pérez de Cuéllar, operating with the backstage help of interested capitals such as Washington and London. It was considered the best chance in a decade for reaching an agreement toward a reunited Cyprus.

Officials involved in the UN peace effort now say it is imperative to keep the diplomatic momentum going that could bring Mr. Denktaş and Mr. Kyprianou back together for a second attempt at an agreement. If the initiative fails, observers believe it could set back peace prospects for years.

What is at stake is the future of the island's two ethnic communities. Since 1974, the Turkish Cypriots, who make up about one-fifth of the population, have been segregated from the Greek Cypriots across the military barrier known as the Green Line. Turkey landed troops in Cyprus in July of that year, after a coup led by the Athens junta against the government of Archbishop Makarios. The northern part of the island, about 37 percent of its territory, has been under Turkish military occupation ever since, in a de facto partition of the island.

A vital ingredient of the diplomatic momentum is U.S. interest in the UN peace bid. This interest lies

in reducing Greek-Turkish tensions in the North Atlantic Treaty Organization and limiting congressional resistance to boosting military aid to Ankara. The UN efforts also have the backing of the Soviet Union, which is anxious to prevent the permanent partition of Cyprus between NATO members Greece and Turkey. The Soviet Union would prefer a nonaligned Cyprus.

Washington, while stressing that it takes its lead from Mr. Pérez de Cuéllar, is playing the most important behind-the-scenes role. Last fall, President Ronald Reagan called on Turkey to urge Mr. Denktaş to ease his demands in the UN-mediated Cyprus negotiations. As a result, Mr. Denktaş dropped a demand for a Turkish Cypriot presidency-in-rotation in a two-zone, federal republic, which both sides agree must be the framework for a settlement. He also made his most generous territorial offer to date, under which about 8 percent of the Turkish-occupied zone would be restored to the Greek Cypriots.

Those concessions made the January meeting possible. Having got there, however, the two sides failed to agree on the meeting's purpose. Mr. Denktaş left, insisting that the concessions were his last word and that he had come together with Mr. Kyprianou to sign a preliminary agreement. This text would have left to joint working groups such issues as the timetable of Turkish troop withdrawal, guarantees for the future state, the right of movement, property ownership and settlement on the island, and the precise areas to be restored to the Greek Cypriots.

Mr. Kyprianou's view was that the blanks pertaining to these issues had to be negotiated and filled in at the highest level before signature and before the setting up of

(Continued on Next Page)

## Potato Farmers Are Moving Mountains

By Kerin Hope

LARNACA — Eager to get a bigger share of the lucrative British potato market, enterprising growers in the south of Cyprus bring truckloads of rich red soil to the rocky headlands of the island's southern coast and plant where the climate is milder and water remains readily available.

Potatoes have replaced table grapes and oranges as the Greek Cypriot farmer's most important single crop. The early varieties, harvested in April, are sold as "small-size new

potatoes" in Britain and West Germany. A smaller second crop, harvested in late autumn, goes mainly to Arab markets.

"Getting the crop on the market early can make a considerable difference to prices, so energetic farmers simply move their field to where the potatoes can ripen fast and the irrigation works," the agriculture minister, Andreas Pappasolomonos, said.

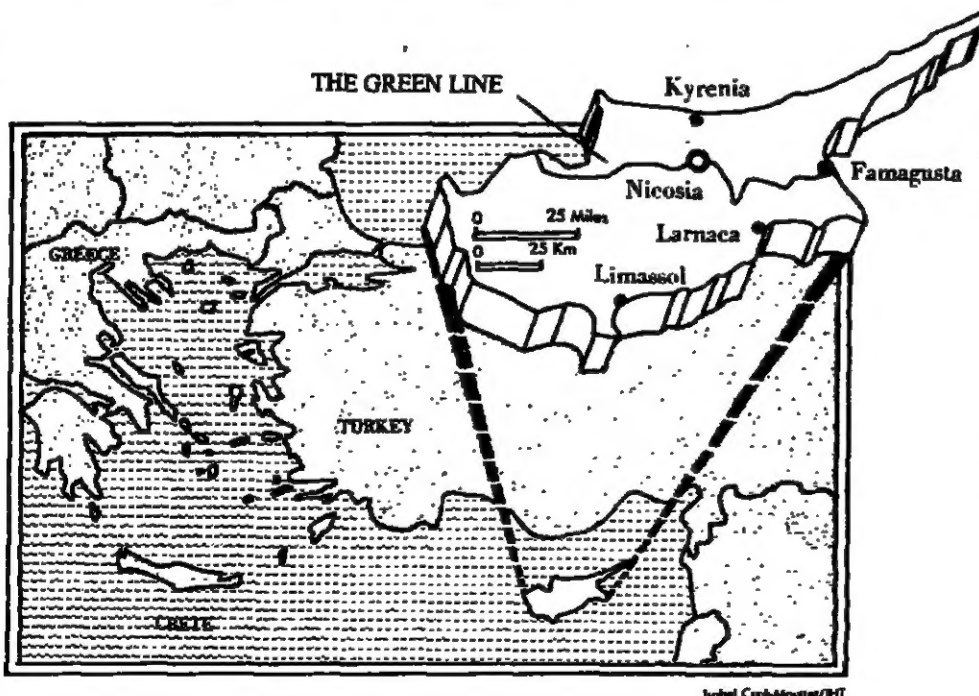
Cyprus exported 160,000 metric tons of potatoes in 1983, the last year for which complete figures are available. More than 70 percent went to Britain. Earnings from potato sales totaled

12.3 million Cyprus pounds (about \$18.4 million), accounting for 20.6 percent of total agricultural exports.

The potato-growing boom is spreading now to the north of the divided island, although Turkish Cypriot farmers say they are hampered by the EC export ban on popular seed potato varieties. Last year, farmers in the north exported 14,000 tons of potatoes, mostly to Britain.

Before northern Cyprus unilaterally declared independence in November 1983, the European Community turned a blind eye to trade with the

(Continued on Page 11)



## Growing Tourist Industry Becomes Multilingual

By George Coats

NICOSIA — Not so long ago, a foreigner who got into a taxi in Cyprus and gave his destination in broken Greek was automatically answered in English. Today, he is just as likely to get his reply in Swedish or German, depending on how the taxi driver analyses his accent. The change reflects the expansion of the Cypriot tourist industry and the success of its quest for new markets.

British passport holders still make up the largest group of visitors to the island, but, increasingly, Scandinavians, Germans, mainland Greeks and, since the war in Lebanon, Gulf Arabs, are joining them.

Last year, the Greek Cypriot south was host to more than 700,000 tourists, 18.4 percent up on 1983's total. Each stayed an average of 10.6 days and together contributed more than 200 million Cyprus pounds (\$143 million), about 12 percent of the gross domestic product, to the economy. This was welcomed by a tourist industry that a decade ago lost its two main centers, Kyrenia and the Varosha area of Famagusta, as

a result of the Turkish occupation of the north. Once the recovery started, it was rapid. The airstrip at Larnaca was converted into an international airport to replace the one in Nicosia, which is now in the United Nations buffer zone.

Building around the island's formerly neglected southern perimeter began as the displaced hoteliers from Varosha turned Limassol into the island's nightlife capital. At the end of last year, Limassol had 32 hotels and hotel apartments offering 4,652 beds, with another five under construction and further building already approved. Larnaca also has been developed and it now offers more tourist accommodation than Nicosia. Ayia Napa, to the south of Famagusta, has retained an attractive elegance lacking in the more crowded resorts, while Paphos, with its new airport, offers a more isolated position and more sedate traditions.

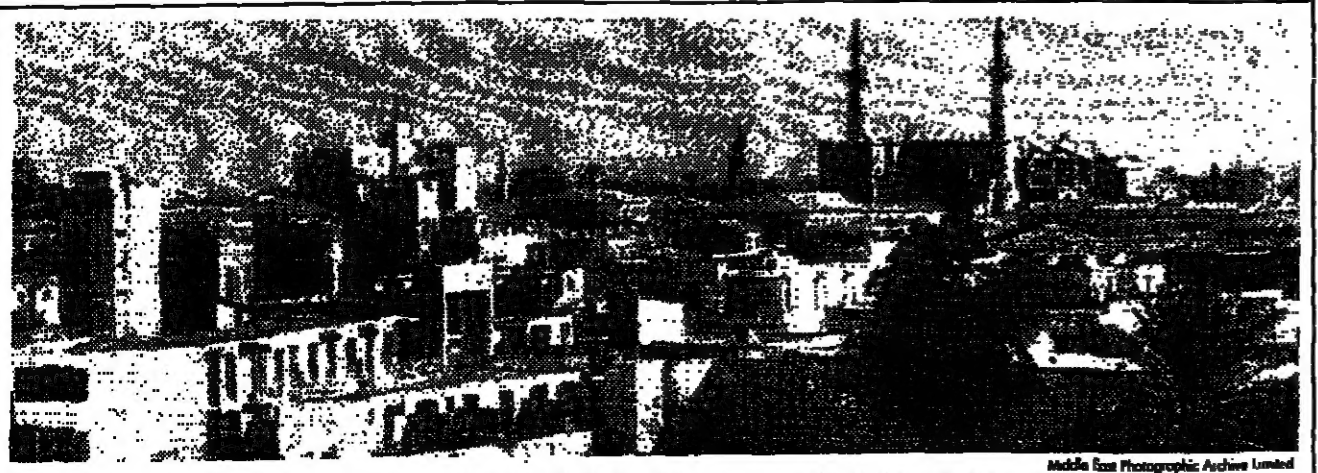
Between Paphos and the rest of the island lie the Troodos mountains, which rise to more than 6,000 feet (1,800 meters) and offer skiing in the winter and a refuge from the heat in the summer.

Cyprus also is looking to the middle-income

market, and while projections forecast some 800,000 tourists a year, plans are being laid to spread the load by extending the season from the present peak period of the six summer months to include the milder spring through to November.

Holidays of special interest are being promoted, drawing on the island's historical heritage. Walkers, wild-flower lovers and, should this winter's return of the mute swan for the first time in 76 years to Larnaca's salt lake be repeated, bird-watchers all are being courted.

In contrast to the south's recovery, however, the northern areas have not fared so well. The high-rise hotels of Varosha have been standing empty and unmaintained for 11 years. Attempts to attract tourists with hard currency have met with limited success, while the Cypriot government in the south has discouraged any international airlines except Turkey's THY from using Ercan airport, near Nicosia. Also, a ruling by Britain's House of Lords that tourists could be sued for using the furniture and fittings of hotels formerly owned by Greek Cypriots in the north has acted as an obstacle to tour operators.



At the Green Line: Nicosia's Selimiye Mosque, at right, in the northern sector.

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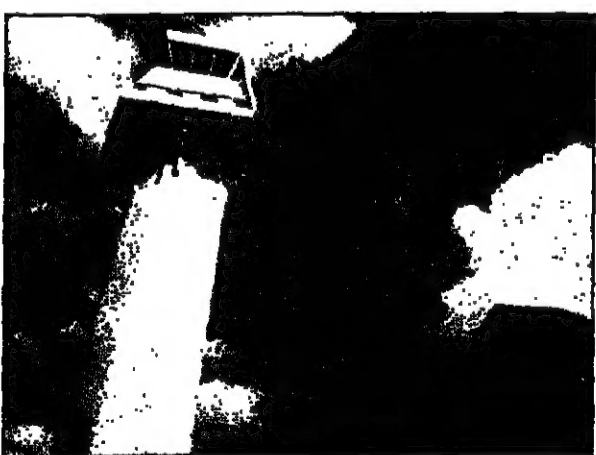
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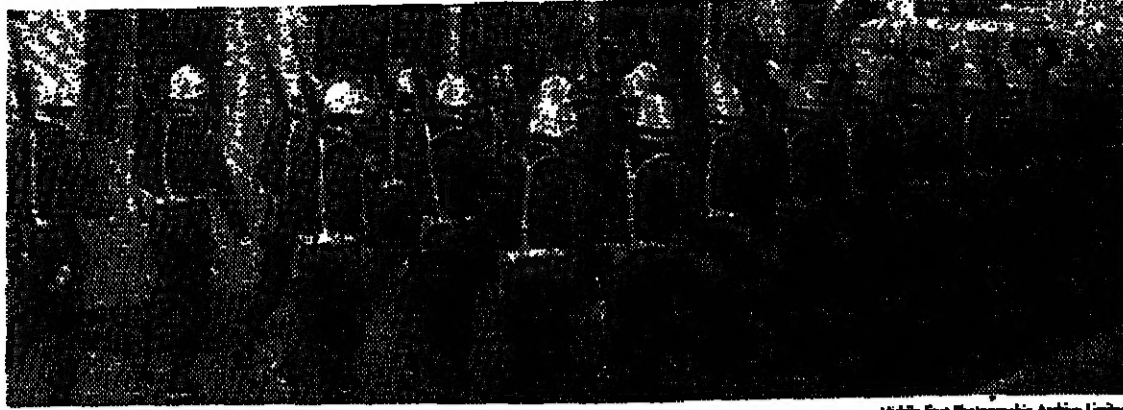
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## A SPECIAL REPORT ON CYPRUS



A Greek Cypriot outpost, left, and a military parade in northern Cyprus, right.



Middle East Photographic Archive Limited

## UN Force Maintains Stability of Island Military Kaleidoscope

NICOSIA — Cyprus, the Cypriot government insists, is a nonaligned country. But since independence 25 years ago, the republic has housed troops from two contending NATO armies and the United Nations, while it has shared the island with British bases, from which American U-2 planes have operated since 1973. In 1974, the military kaleidoscope took another turn, following the Turkish invasion of the north. A dividing line was drawn with UN troops holding a thin line between hostile forces. The UN role was to guarantee the republic's integrity.

It is ironic that the plan for a Cypriot armed force, foreseen in the independence agreements, never became a reality, and the Cypriot contingents on both sides of the dividing line had their origins in unofficial militias.

A visitor to the island cannot fail to notice the military presence. Between Larnaca airport and Nicosia stands a large Cypriot National Guard camp.

White-painted trucks and Land Rovers driven by UN troops are a regular feature of Nicosia traffic. And at the end of Ledra Street, one of southern Nicosia's main commercial centers, shoppers move among shell-pocked abandoned buildings, sandbagged firing positions and soldiers on duty.

But the soldiers and gun emplacements have become part of the local scenery, and, in some ways, the Green Line has become a tourist attraction, like the Berlin Wall.

Politicians on both sides of the line, as well as their leaders in Athens and Ankara, argue in the knowledge that the UN force is there to prevent major hostilities. "Our role is to keep the situation stable," said a UN spokesman, "with the full agreement of both sides and for as long as both sides want."

The force's 2,311 men, drawn from seven nations, are clearly outgunned by both sides, and should its role in defusing the almost daily incidents fail, it

would be pushed aside. To the north is a Turkish corps of two divisions, an additional Turkish regiment representing the 650-man contingent foreseen in the independence agreements and the brigade-size Turkish Cypriot security forces.

Facing them across the UN buffer zone are 1,500 mainland Greek troops, comprising the 950-member unit allowed under the independence agreements and many of the officers and noncommissioned officers of the 10,000-man Cypriot National Guard.

Militarily, the Turks appear to have the upper hand. The 17,000 to 20,000 men in the north are thought to be better equipped and better trained than the forces in the south. According to independent military observers, the Turks have the advantage of fielding a crack corps in Cyprus, which operates as an element of an army based on the Anatolian mainland. It has stockpiles, which can be rapidly reinforced, and total air superiority, with Turkey just minutes' flying time

away. Cyprus has no air force, and Greece, more than 900 kilometers (556 miles) away, in practical terms has no air power over the island.

The Turkish weakness is seen as a too rigid command structure, with consequent tactical inflexibility. The quality of the 5,000 Turkish Cypriot security forces is not rated highly.

Ingenuity is seen as one of the few assets on the Greek side. Mainland forces dominate the high command, but a program of Cypriotization is under way, and so is a rearmament plan. But air defense remains the problem. Diplomatic sources report that the purchase of surface-to-air missiles was discussed last year with the French government.

However, while beefing up its forces, the Cypriot government has been careful not to overstep the fine line between the defensive and offensive, for this might provoke what it hopes to deter.

— GEORGE COATS

## Political Settlement Could Cut Greek-Turkish Gordian Knot

NICOSIA — "The problems between Greece and Turkey are like the Gordian knot; think of the Cyprus issue as the sword that could cut through them," one political analyst said, commenting on the role of Cyprus in Greek-Turkish relations.

The search for that sword is what U.S. support for the United Nations peace initiative is all about. The best evidence of this came last November, when it became known that President Ronald Reagan personally urged Turkey's president, Kenan Evren, to make concessions in the UN-mediated negotiations on the Cyprus issue. His main argument was that this would smooth tensions on NATO's southeastern flank.

The United States and other North Atlantic Treaty Organization countries that are lending a behind-the-scenes hand to the UN, such as Britain, hope that a Cyprus settlement would also mark the beginning of the end of the

Greek-Turkish quarrel in the Aegean, the legacy of the 1974 Cyprus crisis, which has disrupted the strategic southern wing of the Atlantic alliance for more than a decade.

NATO's hope is that a Cyprus agreement will prompt Prime Minister Andreas Papandreu's Socialist government in Greece to re-establish negotiations with Turkey to resolve their Aegean disputes. These include continental-shelf rights, the delineation of territorial water and airspace limits, the sharing of military control in the Aegean and the militarization of Greek islands such as Lemnos.

A Greek-Turkish dialogue, on the level of foreign ministers, had begun under conservative governments in Greece. But this was frozen when the Socialists came to power in 1981, on the argument that the status quo in the Aegean is already set by international law and is, therefore, not negotiable.

The Greek assistant foreign minister, Yiannis Kapsis, whose port-

folio includes Greek-Turkish relations, declined to comment on the impact of Cyprus on the grounds that the current UN peace initiative of Secretary-General Javier Pérez de Cuéllar is at a critical stage. But the Greek government spokesman, Dimitris Maroudas, stated in December that the start of a dialogue with Turkey, on whatever level, "presupposes a just and viable solution for Cyprus."

According to Turkish diplomats, the Cyprus problem is cited by Greek officials as an important obstacle to renewed negotiations on the Aegean issues.

Some analysts believe that even if the UN's Cyprus peace effort bears fruit in the next few months, the resumption of a Greek-Turkish dialogue remains unlikely in 1985, an election year in Greece. They argue that Mr. Papandreu will be reluctant to abandon his hard-line stand on Turkey, which appeals to Greek nationalist sentiment, before the elections.

Others argue, however, that voters would respond to a successful resolution of the Cyprus problem, which Mr. Papandreu could point to as a foreign-policy achievement. All analysts agree that the benefits to the West of a Cyprus-led reconciliation between Greece and Turkey would be far-reaching.

According to diplomats involved in the UN peace effort, one motive of the Reagan administration for wanting a settlement is that this would reduce congressional resistance to increased military aid for Turkey, whose strategic importance has escalated since the end of Shah Reza Pahlavi's rule in Iran.

The United States imposed an arms embargo on Turkey following the 1974 Cyprus crisis, when Ankara dispatched troops to the island in reaction to a coup mounted by the Athens junta against the government of Archbishop Makarios.

The embargo was lifted in 1978. But in view of the continued Turkish occupation of northern Cyprus,

## Peace: Keeping Momentum Going

(Continued From Previous Page)

working groups. What is required now is the bridging of that gap, so that a second meeting can be arranged. UN officials say there will be mediated "contacts" between the two sides at a lower level, where the task will be to agree "on both the scenario and the substance" of another Kyprianou-Denkash meeting. All observers agree that the United States has a major role to play. Meanwhile, both sides are keeping the door open to further talks. The Cypriot president reiterated his commitment to continuing the UN peace process in an interview this month. "The UN's priority is that the meeting should be well prepared, and that is right. We can't have another experience, where one side goes to negotiate and the other not," he said.

Mr. Denktash has said that he is willing to come together again with Mr. Kyprianou, but that this cannot happen before elections are held in the occupied north, which was declared an independent state by the Turkish Cypriots in November of 1983. This self-styled state has only been recognized by Turkey. Turkish Cypriot officials, however, insist that the elections should not be construed as a move to consolidate statehood, and therefore, that they do not conflict with a call by Mr. Pérez de Cuéllar for both sides to avoid actions that could jeopardize the UN initiative. Officials also said constitutional amendments might be necessary to permit Mr. Denktash to run for a third term as leader.

"These things have nothing to do with the reinforcement of our republic, and this should be understood by all well-meaning people," Nectan Ertekin, a senior Turkish Cypriot official, said in an interview.

There are many reasons on both sides of the Green Line for wanting a settlement. For the Greek Cypriots, long-term physical and political security is the paramount concern. Their fear is that without a guaranteed settlement for Cyprus, the Turkish hold on the northern part of the island will become permanent, and that, in their view, the risk of another Turkish military move on the island will never be totally absent.

pressure by the so-called Greek lobby in Congress against arming Ankara has remained high. For NATO, an easing of Greek-Turkish tensions might mean that a stalled project to set up a new command headquarters in Larissa, Greece, could go ahead.

Athens and Ankara cannot agree on the sharing of military control in the Aegean under the new com-

"My husband has a good income, and we lead a comfortable life; but I look at this every day and think, what's the use, there could be another war tomorrow," a Nicosia housewife said. Many of her relatives and friends were among the 170,000 Greek Cypriots who fled their homes before the Turkish troops in 1974.

For the Turkish Cypriots, perhaps the major incentive for a settlement is economic development. Once past the "welcome" sign beside the Turkish checkpoint on the Green Line, the evidence of the economic disparity between the north and south is obvious in dilapidated roads and buildings.

The economy was a key concern among Turkish Cypriot politicians interviewed. "Look at them over there and look at us over here," one Turkish Cypriot official said, gesturing toward the Greek quarter of Nicosia. "They have a per-capita annual income of \$4,500; we have one of \$1,000."

Turkish Cypriot leftist opposition leaders, who are pressing Mr. Denktash to come to a settlement with the Greek Cypriots, indicate that hopes that the 1983 declaration of a state would bring trade and tourism, along with international recognition, have been disappointed. "Recognition looks almost impossible; even if some states do recognize us, they will not be so important," said Alpay Durduran of the Communist Liberation Party, which accounts for about 30 percent of the Turkish Cypriot electorate.

On both sides of the line, however, the view is that any Cyprus settlement must carry a fair price. "I have been around villages, talked to people in all walks of life; they are very, very disappointed that there was no agreement in New York," said Ozker Ozgur, leader of the Republican Turkish Party, a leftist grouping that holds about 15 percent of the vote. "But they do not want just any settlement. It has to be honorable."

To have any hope of success, the search for an agreement that both sides can call honorable is what a future Kyprianou-Denkash meeting will have to be about.

forces out of regional maneuvers to protest Turkish objections to the militarization of Lemnos.

Above all, NATO wants to see an end to a wrangle that threatens to weaken its southeastern flank with regard to what should be its main strategic concern — defending against the Warsaw Pact threat from the north. Mr. Papandreu, who is also Greece's defense minister, has argued in NATO meetings that the main military threat to Greece lies not in the north but in Turkey to the east. Greek administrations before him based their claims of a Turkish threat on the Cyprus experience of 1974, coupled with the deployment by Turkey of its 4th Army on the Aegean coast.

In January, the Papandreu government formally adopted a new "defense doctrine" reflecting the belief in a Turkish threat. The announcement of the doctrine caused shudders in NATO capitals. But military experts pointed out that, in fact, it formalized what has been the case since 1974 — that Greece is deploying its forces with an eye on its eastern borders with Turkey. Legend had it that the person who successfully untied the Gordian knot would become the master of all Asia. In this case, the reward would be a NATO.

— A. IERODIACONOU

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A high-level Cyprus, Mr. Spyros Kyprianou and his community ended the United Nations between Greek and Turkish Cypriots.

President Kyprianou that he did not want to see the Secretary-General.

By contrast, the commitment himself to the meeting a fact agreed up to that point.

In consequence of Turkey on Jan. 17, 1985, the demonstration reached through undermining even.

An evaluation background to the prospects.

Cyprus, has, since about by the arm invasion forcibly Cypriot population the northern 37%.

Repeated calls Security Council were ignored, and was declared an.

This development region, aroused in United Nations Secretary-General requested the Secretary-General to take new efforts.

In accordance with General held on Cyprus and the Turkish, 1984. At the General considered calling a meeting for Cypriot leader for "proximity talks" in Larnaca separately.

During the period December 12, 1984, January 17, 1985, cautious optimism substance of the new U.N. Secretary-General.

At a press conference summarized developments.

"After the conference New York I talked stated, this is perhaps justified. But there is reach an agreed framework covering all its basic.



## A SPECIAL REPORT ON CYPRUS

## Communists' Supporting Role In an Entrepreneurial Society

NICOSIA — Once a visitor gets to the four-story office block housing the Progressive Working People's Party, known as AKEL, it is only a short walk to an imposing concrete building fronted with attractive stained-glass windows nearby. This is, in fact, the Soviet cultural center, built in 1979 as Moscow's answer to the thriving American center on the other side of town.

That the two buildings are found in the same neighborhood is apt. AKEL had its beginnings in the Communist Party of Cyprus, known as KKK, founded in the early 1920s by a group of Greek Cypriot workers inspired by the ideals of the Russian Revolution. In an early letter to the British Labor Party, the KKK's founders declared their goal to be "the setting up of a soviet socialist republic" in Cyprus.

One of the determining historical characteristics of AKEL itself — the party was renamed in 1941 — lay

more than a secondary role, backing first Archbishop Makarios and, after his death, in 1977, his successor to the presidency, Spyros Kyprianou.

In a 1983 "minimum policy program" formalizing AKEL's alliance with Mr. Kyprianou's right-of-center Democratic Party, the Communists went so far as to pledge their support for a free economy and, even more startlingly, "the middle classes."

"We believe that Cyprus is still struggling for its national survival. To bid for socialist reform now would only divide the people and serve the interests of our enemies," an official of AKEL said in a recent interview.

Meanwhile, Cyprus is a thriving entrepreneurial society, made up of what one Western observer calls "incurable capitalists, including the Communists," with its face firmly turned to the West.

Although AKEL accounts for more than a third of the electorate, the Soviet Union and other East bloc countries attract less than 10 percent of the Cypriot students who go abroad for their university education each year. According to the United States Information Service, Cyprus will draw 275 Fulbright scholarships in 1985, the largest number in absolute figures worldwide.

The Soviet Union will award about 80 scholarships this year. More significantly, the consensus among political analysts is that AKEL's electoral strength, estimated at more than 40 percent at its peak some years ago, is on a slow decline. One commentator invoked the "anachronism of a strictly orthodox, Moscow-line party, which entertains little dissent. Anybody who disagrees with the party line is expelled. Such is the discipline that few of them will ever reveal why, even years later."

Other analysts cite the evolving economic and political situation on the island.

"When we first started the party, education was low, people were exploited by landowners, merchants, the church. The ground was very fertile; it was easy to spread communist ideas," says Ploutis Servas, a former general secretary of AKEL, who was expelled for dissent in 1952.

The first serious challenge by the right, according to Mr. Servas, came only after 1955, when, through the EOKA fight, "the right swept the youth — they had the revolutionary slogans."

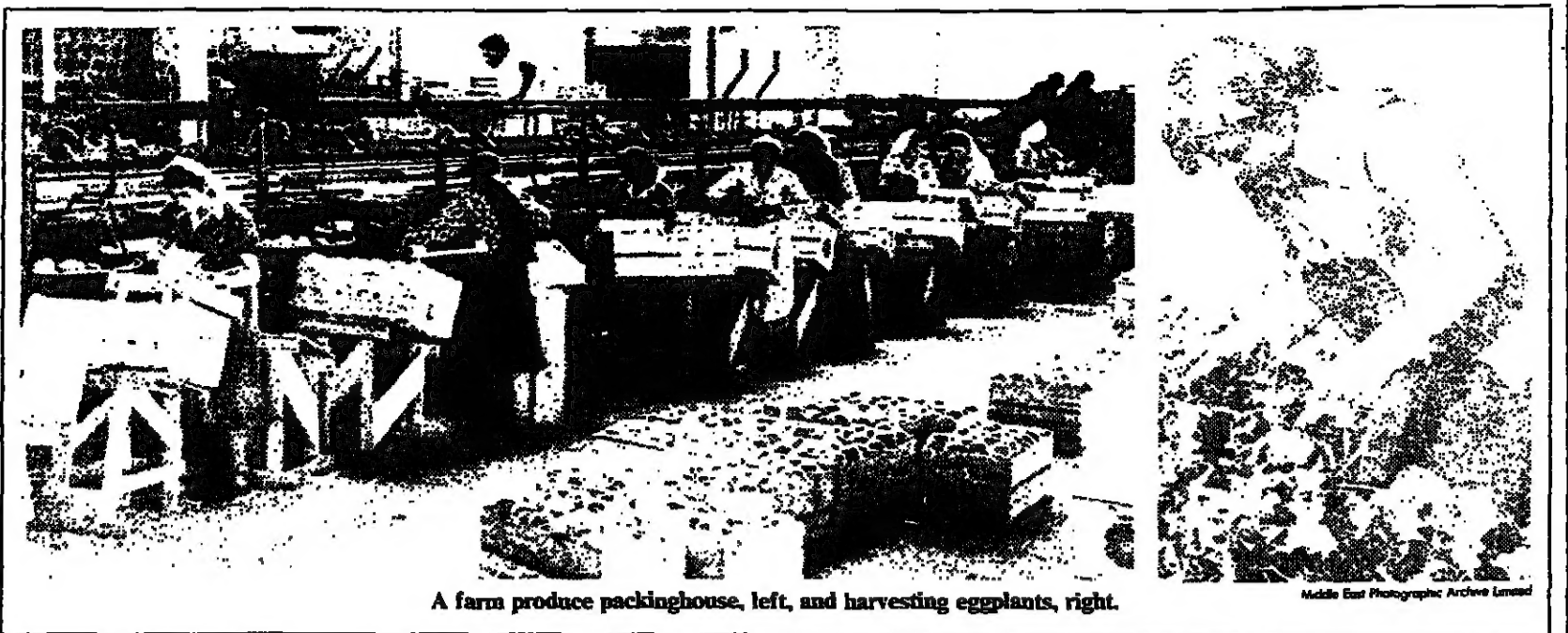
But the battle is not yet over for AKEL. According to diplomats involved in the current United Nations peace bid for Cyprus, the Soviet Union's support of these efforts reflects above all the desire to see the re-establishment of a nonaligned republic on the island within which the party could form a power bloc together with the Turkish Cypriot Communist left, which comprises about 16 percent of the electorate in the north.

In cooperating with the Turkish Cypriots, commentators say, the party can build on its past moderate, anti-nationalist image.

Officials of PEO, the AKEL's trade union confederation, which represents about 50 percent of unionized Cypriot workers, say they have had several contacts in Cyprus during the past years with Turkish Cypriot labor leaders, most recently in London in November 1984, and that they look forward to more.

"It seems to me that future cooperation between the Greek Cypriot and Turkish Cypriot Communist left is something that Washington, which is in the driver's seat in terms of the United Nations peace initiative, will be keeping a close watch on," one observer of the peace process said.

— ANDRIANA IERODIACONOU



A farm produce packinghouse, left, and harvesting eggplants, right.

## EC Moves Closer to Agreement on Customs Union

By Steven J. Dryden

BRUSSELS — After more than eight years of delay, the European Community this year may take the first steps toward completion of a final trade agreement with Cyprus.

Following a meeting with Cypriot officials in December, the community announced that it had the "firm intention" of preparing guidelines in 1985 for negotiating a customs union with Cyprus.

Under a 1973 agreement of association, which the community has concluded with only three other countries — Turkey, Greece and Malta — Cyprus and the EC have established a preferential tariff system. The customs union, which was to have come into force in 1977, would lead to the abolition of trade barriers and the adoption by Cyprus of the community's common customs tariff for external trade.

The community plan, however, remains linked to the same larger EC and Cypriot problems that blocked its fulfillment in the past: the lack of a political settlement on the island and the enlargement of the community to include Spain and Portugal.

The community has always maintained that the development of its trade relations with Cyprus cannot be separated from the island's political situation. When the community made its December statement, there was hope that the upcoming meeting between the Greek Cypriot and Turkish Cypriot leaders in New York would produce a settlement. The breakdown of the talks left the intentions of the community unclear.

Even if the political situation improves, the community clearly appears to want to complete its enlargement negotiations with Spain and Portugal this year as planned before defining trade relations with Cyprus. At that point, although Cyprus can count on support for the customs union from member states as Greece and Britain, there may still exist objections from other community nations that do not want to liberalize agricultural trade with yet another Mediterranean country.

This uncertainty is stretching the patience of Cypriot officials. "Cyprus wants a close relationship," said Andreas Georgiades, a counselor at the Cypriot mission to the EC. But, he added, "the importance of the community to Cyprus is diminishing each year."

Another Cypriot official has complained privately to the community that EC-Cypriot relations are paralyzed. He said that Cyprus has been treated unfairly and penalized economically by community inaction.

Cyprus is chiefly concerned by its negative balance of trade with the community, which grew from 97 million European Currency Units (\$108 million) in 1976 to 508 million ECUs (\$452 million) in 1983. The community's share of exports from Cyprus fell from 44 percent in 1975 to 27.5 percent in 1983.

This trade slowdown has affected the chief Cypriot agricultural exports to the community — citrus fruits, new potatoes, grapes and wine. The community's main exports to Cyprus include cereals, animal feed, machinery, road vehicles and textiles.

Cypriot officials blame much of the deteriorating balance of trade on the quotas that control many of their preferential exports to the community in the absence of a customs union. EC officials reply that part of the deterioration can be explained by the diversification of Cypriot exports, although they admit that some member states have blocked efforts to give Cyprus better trade conditions.

As to the timetable for a customs union, Cyprus believes the community has its priorities backward. "A customs union will induce a political settlement by creating commercial and economic benefits that Turkish Cypriots would like to share in," a Cypriot official in Brussels said. The Cypriot government would also welcome the political support such an agreement would represent, officials of several EC countries said.

Cypriot officials have told the community they think the EC has made a mistake by not completing a customs union agreement while the enlargement negotiations were under way. The entry of Spain and Portugal, they said, will only reduce Cypriot agricultural exports to the community that have already been weakened by several years of sluggish trade. The officials said Cyprus should be given special consideration apart from any new community policy on trade with nonmember Mediterranean countries.

Cypriot officials gloomily predict that even if the community adopts negotiating guidelines this year, it may take several more years to complete a customs union agreement. Turkish Cypriot officials, however, are opposed to the establishment of a customs union while there is no political settlement.

"It's a mistake to have a customs union [between the community and Cyprus] when you have no customs unions within the country itself," said Bora Atun, the representative in Brussels of the Turkish Cypriot government. "They [the community] would be officially and effectively dividing the island."

Mr. Atun, a former mayor of Famagusta, said a customs union would only perpetuate what he believes has been an unequal distribution of community aid, mainly benefiting the Greek Cypriot population. "We have not received a single penny from the EC for any of our projects," he said.

A community source said the projects proposed by the Turkish Cypriots, which included road and harbor improvements in the northern part of the island, were rejected because they did not meet the EC criteria that they benefit the entire population.

"Projects on the Greek side were rejected, too" on the same basis, the source said. The projects the community has approved have come under two financial protocols, the first running from 1979 to 1983 and the second beginning last year. The first protocol provided \$33 million in loans and \$8 million in grants used for three projects: extension of the electrical system for the entire island, improvement of the water supply network in Larnaca, Nicosia and Famagusta, and modernization of the sewage system in Nicosia.

The second protocol, which provided \$30 million in loans and \$8.9 million in grants, is to continue the sewer and electricity projects and build a new water supply system for Nicosia, Famagusta, Limassol and Larnaca.

Despite this appearance of community evenhandedness, Mr. Atun said the Turkish Cypriots remained unsatisfied with the projects. Most of the construction, he said, is handled by Greek Cypriot firms, and many of the facilities for controlling water and electricity are or will be under Greek Cypriot control.

In fact, unhappiness on the part of one side or the other seems guaranteed no matter what policies the community pursues. After the Turkish Cypriot declaration of independence in 1983, for example, EC foreign ministers quickly condemned the move and stated that the government of Cyprus was the only one recognized by the community. This pleased the Greek Cypriots, but they were soon voicing their dissatisfaction with the lack of action by the EC to stop member states from applying the same preferential tariffs to exports from northern Cyprus as they did to those from the Cypriot state.

If the Turkish Cypriots are not penalized for their unilateral declaration, "then they will get the feeling they can take any action they want," a Cypriot official in Brussels said.

An official of one EC state said that while the Cypriot argument had merit, "if you were to say that there is a separate entity, from which you don't accept exports, you are accepting the division of the island; we want to avoid anything that would consolidate that division."

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## Cyprus: Recent Developments and Prospects

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A high-level meeting in New York between the President of Cyprus, Mr. Spyros Kyprianou, representing the Greek Cypriot community and Mr. Rauf Denktaş representing the Turkish Cypriot community ended on January 21, 1985. The Secretary-General of the United Nations said at the end of the meeting that the gap between Greek Cypriots and Turkish Cypriots had never been so narrow. He also said that he had invited the two sides to meet again, if possible before the end of February.

President Kyprianou, answering questions from the press stated that he did not consider the meeting a failure and expressed his willingness to participate in further high level meetings whenever the Secretary-General invited the parties.

By contrast, the Turkish Cypriot leader said that he would not commit himself to any new date for a meeting, that he considered the meeting a failure and implied that everything that had been agreed up to that a stage must be renegotiated.

Inconsequently to these stated positions, the Foreign Ministry of Turkey on January 22 stated that "The Greek Cypriot side has demonstrated that it does not favour a settlement to be reached through direct negotiations and that it will persist in undermining even the most genuine efforts for such a settlement."

An evaluation of these positions requires a consideration of the background to the high level meeting, of its course and further prospects.

### Background

Cyprus, has, since 1974 been divided. The division was brought about by the armed forces of Turkey which in the course of an invasion forcibly separated the Greek Cypriot from the Turkish Cypriot population of Cyprus and have remained in occupation of the northern 37% of the area of the island ever since.

Repeated calls from the United Nations General Assembly and Security Council for all foreign troops to withdraw from Cyprus were ignored, and in November, 1983 the occupied area of Cyprus was declared an "independent state".

This development, dangerous both for peace in Cyprus and the region, aroused immediate and definite international reaction. The United Nations Security Council took the rare step of stating that were secessionist actions not rescinded it would consider taking urgent and appropriate measures, and in the same resolution (550) requested the Secretary-General of the United Nations "to undertake new efforts to attain an overall solution to the Cyprus Problem".

### Proximity talks

In accord with this and previous U.N. resolutions, the Secretary-General held an extended series of talks with the President of Cyprus and the Turkish Cypriot leader between August and December, 1984. At the end of these series of meetings, the Secretary-General considered that enough progress had been made to justify calling a meeting between the President of Cyprus and the Turkish Cypriot leader for direct negotiations to be held instead of the "proximity talks" in which up to that the Secretary-General had talked separately to the two sides.

During the period between the end of the proximity talks on December 12, 1984, and beginning of the high level meeting on January 17, 1985, the Cyprus Government maintained a stance of cautious optimism and restraint, avoiding any comments on the substance of the negotiations process as had been requested by the U.N. Secretary-General.

At a press conference on December 22 President Kyprianou summarized developments as follows:

"After the conclusion of the third round of proximity talks in New York I talked about cautious optimism. As I have already stated, this is perhaps the first time since 1974 that some optimism is justified. But there is still a lot of distance to be covered in order to reach an agreed framework of a solution to the Cyprus problem covering all its basic aspects."

### Statements by the Turkish side before the high level meeting

President Kyprianou maintained this restraint despite numerous statements from the Turkish side which were by no means calculated to promote a constructive atmosphere. The Foreign Minister of Turkey was quoted as saying (Reuters dispatch, January 15) that Turkey would still keep some troops in Cyprus following any settlement between the Greek and Turkish Cypriot communities.

Since the crux of the Cyprus problem is to ensure the withdrawal of foreign troops so that the Cypriots can live free from foreign interference within a constitutional framework they will themselves formulate, this was a particularly worrying statement.

Another worrying phenomenon before the meeting were certain statements by Mr. Denktaş about what he expected at the meeting. For example on January 6 (Kribris Postas) he repeated:

"Since my return I have been repeating one thing. The draft of the agreement prepared in New York cannot be changed. Not a single word or a comma in it could be changed."

This was a paradoxical statement because in New York there had been progress, a closing of the distance in views between the two sides, but not agreement. Part of the documentation which had come out of the proximity talks was a document entitled "agenda" or "preliminary draft agreement". But the documentation before the high level meeting included other documents as well. And before an agreement could be reached solutions had to be found for outstanding important problems. The prospect of their solution at the high level meeting was in fact what gave rise to guarded optimism.

### Purpose of high level meeting

In view of statements by the Turkish side such as the ones quoted, and others, the Cyprus Government repeatedly sought clarifications from the U.N. Secretary-General and the Secretariat and from various interested Governments. And there were repeated assurances that the purpose of the high level meeting was to negotiate further.

At a press conference on December 19, 1984, the U.N. Secretary-General was asked:

"There seems to be some disagreement between the two sides to the Cyprus question about the precise nature of the meeting which is to take place here in New York on January 17. Is this going to be a negotiating session, or in your estimate is this something different?"

The Secretary-General had replied:

"As you can imagine, I do not see the meeting as a mere formality. What I expected from the meeting is a constructive discussion in which the parties will present their views on my presentation."

The Cyprus Government received assurances about the purpose of the high level meeting from responsible sources. And the documentation which had come out of the proximity talks itself specified that negotiations had to take place at the high level meeting. The texts which were the documentation for the high level meeting, and which Mr. Denktaş later insisted should be signed virtually as they stood, themselves specifically refer to negotiation at the high level meeting. For example, in the document entitled "Agenda" and "Preliminary draft agreement" it is provided that territorial readjustments additional to the areas referred to in the Turkish proposals of August 5, 1981, would be agreed at the high level meeting and that the extent of these readjustments and the number of refugees who would return to their homes would be defined in the agreement that would emerge.

On another crucial issue, the question of the withdrawal of foreign troops, there is specific provision in one of the documents before the high level meeting, that the timing of the withdrawal of foreign troops would be discussed at the high level meeting.

With all these facts and assurances before it the Cyprus Government went to the high level meeting despite Mr. Denktaş's public statements. It was clear that there had been progress during the proximity talks which gave rise to guarded optimism. And it was

also clear that much work remained to be done during the high level meeting before an agreement could be reached.

### The high level meeting in New York

In his opening statement at the first session of the high level meeting Mr. Perez de Cuellar indicated what was to be done during the meeting.

The Secretary-General said (U.N. Press Release CYP/85/1 Nicosia, January 18, 1985):

"I have with me the documentation that we worked on during the proximity talks and to which I referred in my report on December 12. To move from this documentation to the conclusion of an agreement is the responsibility that now has to be faced. We all know that work needs to be done in order to accomplish that task within the outlines elaborated during the proximity talks."

President Kyprianou proceeded to indicate how he considered the move should be made from the existing documentation to an agreement and his view of the work which needed to be done. This was in accord with his acceptance of the documentation presented by the Secretary-General as a basis for negotiations aiming at a comprehensive overall solution to the Cyprus problem.

### Mr. Denktaş refuses to negotiate

Mr. Denktaş insisted that what the Secretary-General had referred to as "documentation" and "outlines" should be signed immediately, with, at the most, the filling in of some dates, and that all the substantial unresolved issues should be relegated to committees.

And for four days, Mr. Denktaş opposed any negotiation on the outstanding issues and paradoxically insisted on the immediate signing of the incomplete documentation which had come out of the proximity talks. President Kyprianou could not of course have signed these incomplete documents. As he indicated later (Press Conference, Nicosia, 26-1-1985):

"You would be the first to criticize me if I signed something and I was not in a position to tell you what I signed. For instance if I signed and you asked me, 'Mr. President on the territorial issue, what did you accept?' my reply would be 'I do not know.'"

And on the same occasion, President Kyprianou explained that there had been progress during the proximity talks, but progress which had not yet led to agreement on crucial issues.

"Because there was no agreement reached regarding the timing of the withdrawal of troops. There was no agreement on that matter because it had not yet been discussed. There was no agreement on the issues of guarantees, the territorial issue and the fundamental freedoms."

Mr. Denktaş's insistence at the high level meeting that the incomplete documentation be signed immediately and all outstanding issues relegated to "working groups" was contrary to one of the provisions in the preliminary draft agreement he wished to sign.

The relevant paragraph of the text indicates that working groups would be set up in the light of political decisions to be agreed upon at the high level meeting so that the details of the agreement may be elaborated. This is an entirely reasonable provision, for what would have been the consequence of relegating to committees important issues such as the question of Turkish troop withdrawal and international guarantees? Well if they had not been solved at a high level meeting they certainly would not have been solved at committee level. They would have remained unsolved, with Cyprus divided, and the Turkish troops continuing to occupy part of Cyprus.

The Secretary-General, after the failure of the high level meeting to reach agreement due to Mr. Denktaş's refusal to negotiate outstanding problems, (Interview to Gordon Martin of the BBC, January 24, 1985) naturally denied that an agreement was available before the parties at the high level meeting. The documentation they had before them, he said, reflected the interests of each side and contained elements which reflected flexibility from both sides.

It must be remembered that the Security Council's mandate was, correctly, for an overall solution to the Cyprus problem. An agreement on certain constitutional issues which could not specify a time-table for the withdrawal of foreign troops from the island, would certainly not have been an overall solution.

Unfortunately, at the high level meeting, the Turkish side, for reasons best known to them, demanded the signing of an incomplete set of documents which had come out of the proximity talks without the slightest change and without any discussion or negotiation. That is why there was no agreement at the high level meeting.

### Conclusions from the meeting

The high level meeting was unfortunately not able to overcome the difficulties and arrive at an agreed comprehensive framework for the solution of the Cyprus problem.

But the fact that the meeting did take place has convincingly demonstrated that with concerted international effort, and the sustained efforts of the Secretary-General of the United Nations, progress is possible.

President Kyprianou stated at the end of the meeting: "We do not regard the effort of the Secretary-General as having ended. On the contrary, we have agreed with him today formally and fully that he should continue and we are at his disposal to do whatever we can on our side."

The Secretary-General himself, at the end of the talks said:

"I believe that in the search for a solution of the Cyprus question the gap has never been so narrow, and there is need to persevere. Accordingly, and as the parties are ready to continue their direct contacts within the framework of the good offices mission entrusted to the Secretary-General, I will remain in touch with both sides with a view to their meeting again at a joint high-level meeting, if possible before the end of February, 1985."

### Prospects

The Greek Cypriot side has every reason to want an early solution of the Cyprus problem. This position has been repeatedly stated by the President of the Republic, the Government of Cyprus and all the major political parties.

President Kyprianou during the New York meetings, proposed the setting up of a high level meeting to deal with the following four fundamental issues:

- a) the withdrawal of non-Cypriot troops;
- b) the territorial aspect;
- c) the question of the three fundamental freedoms;
- d) the question of guarantees.

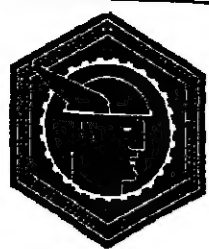
He has repeatedly stated his readiness to respond to Mr. de Cuellar's invitation to a new high level meeting and to discuss in a constructive spirit the outstanding substantive issues.

It is to be hoped that a similar will be shown by the Turkish side and that it will desist from creating new barriers in the path to an agreement, keeping the way open to a dialogue in a spirit of good will so that a framework can be arrived at as soon as possible for a fair and lasting solution to the Cyprus problem which would put an end to the hardships of all the people of Cyprus and lay the foundations of a peaceful, prosperous state.

The narrowing of the gap already achieved points the way for international efforts during the next few weeks. Progress has been achieved, and the gap has been narrowed in important respects. For those interested in a solution to the Cyprus problem the course is clear. To work on closing the gap on those issues which are still outstanding.

**Prepared by:  
PUBLIC INFORMATION OFFICE  
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# Incentives Have Made Country an Offshore Business Center

NICOSIA — "Until the late 1970s Cyprus was not on the map as a business center," said Sophocles Michaelides, the central bank's exchange control officer. "Now no serious company can fail to take it into account."

What put Cyprus on the map was its decision in the months following the Turkish invasion of the north in 1974 to boost foreign-exchange revenue by promoting the island as a center of business and financial services to the Middle East. In the years that followed, businessmen took advantage of the island's geographical position as a European country on the doorstep of the Middle East, especially after the Lebanese civil war reduced Beirut's attraction as a regional operations base.

The incentive to set up in Cyprus was its legislation, which gave offshore companies a special status, being considered nonresident for exchange-control purposes. The benefits include corporate taxation at 4.25 percent, one-tenth the normal rate, while offshore branches managed from abroad are totally tax exempt. No further tax is paid on dividends to beneficial owners, while half the normal tax rate of 60 percent is levied on earnings of foreign employees of offshore companies and only one-tenth is levied on foreign employees living outside Cyprus.

Moreover, offshore companies are protected by a nondiscriminatory legal system that clearly sets out the rights and obligations of

shareholders and directors. What they must guarantee in return is that their activities will be restricted to outside Cyprus, that no finance will be raised locally, local expenses will be covered from imported funds and, for companies, paid-up capital will be at least 1,000 Cyprus pounds (\$665).

Offshore entities are also allowed transit rights, including the warehousing and repacking of goods in Cyprus as long as the goods are re-exported without any change in their customs tariff classification. Initial interest was shown by British businessmen, who sought to take advantage of the oil boom of the 1970s and the benefits

of having personnel in Cyprus instead of having them travel from Britain to the Middle East.

A year after offshore legislation was enacted, 86 companies had signed up. This time last year there were 2,600; today, there are more than 3,000. Half of them originate in Western Europe and North America, and most of the rest are from the Middle East, predominantly Lebanon, who have found that running costs in Cyprus are about one-third those in other centers such as Bahrain. They also find an educated labor pool, a low crime rate, available housing, good weather and some of the best communications in the region. As one

businessman put it, they live like permanent tourists in Cyprus.

There are, however, some problems. Some managers complain that the 20-percent surcharge on all Cypriot phone bills over a minimal base and outdated telex facilities that can only transmit at half the speed of modern machines can raise "taxation" from the 4.25 percent to about 6 percent. Red tape can be a problem, too. The paperwork to get various permits is complicated, there are few resident Arab embassies, which makes getting visas for Middle East countries difficult, and the Cypriot banking system, while adequate, lacks automation.

The central bank accepts that there have been administrative problems and that the last decade has seen Cyprus feeling its way in what was, after all, a new venture for the island. The next step will be the establishment this year of a department within the bank to act solely as the link between the offshore companies and the Cypriot authorities.

The comparatively low dropout rate — about 10 percent of the registered companies are dormant — and the continuing number of applicants suggest that Cyprus is offering what the offshore market wants.

Those companies taking advantage of Cyprus's offshore regulations operate through local lawyers and accountants. These local representatives have raised their competency to the point where many are now international experts in double taxation, legal planning and the formation of companies. Forwarding agents have also benefited, and Cypriot banking has had an increase in deposits.

But where the banking system has shown limitations is in its domestic lending policy. Planners say that this has not been a major restraint on development, as the fault lies mainly on the demand side.

— GEORGE COATS



Learning languages in a Nicosia hotel training school.

## Swift Recovery Lives Next to Stagnation

(Continued From Page 7)

effort is to attract high technology and export-oriented investment. The incentives include the Larnaca Free Zone, a 10-year tax holiday for those who introduce a product not yet manufactured in Cyprus, and other projects aimed at modernizing machinery and encouraging private companies to merge and go public.

But so far, results have been modest despite a real increase in manufacturing investment of 15 percent last year. Only one company has moved into the free zone and electronics and computer manufacturers have yet to appear on the scene. One of the problems is that, with unemployment now down to around 3.5 percent, labor availability is tight, although planners point to a pool of 1,500 unemployed graduates.

The new projects are vital to the south's economy. Forecasts for 1986 put the value of exports at about 418.9 million Cypriot pounds, way behind imports, which are expected to total 826.1 million pounds. After including invisible earnings and agricultural exports of 108.1 million pounds and with petroleum products amounting to 20 percent of import costs, next year's payments deficit is expected to come to about 65.2 million pounds.

But if the south has its economic problems, the Turkish Cypriot north is in worse shape. Inflation last year reached 70.72 percent, and while the dominant agricultural sector grew by 7.7 percent in real terms over 1983, manufacturing declined by 6.3 percent. As in the south, the economy is heavily influenced by external factors. But while the Greek Cypriots were able to link their fortunes to a booming

Middle East to fuel their recovery after 1974, the north was tied to a rapidly declining Turkish economy.

The importation of Turkey's moribund public-sector practices as a way of getting factories and hotels expropriated from the Greek Cypriots started again has acted as a brake on private initiative. Also imported was Turkey's rampant inflation, while Turkey's corresponding high interest rates acted to siphon off Turkish Cypriot capital.

Further, the embargo on the north by the internationally recognized Cypriot government in the south has complicated trade in such previously dominant areas such as Kyrenia and Famagusta.

Turkish Cypriot planners say that their economy is only kept afloat by large amounts of Turkish aid, and they agree that the only growth points in their economy are the inflation rate and the budgetary and balance-of-payments deficits. But the Turkish embrace, although unavoidable, has been too tight for comfort.

Plans to sever the link with the Turkish lira have been mooted for years, only to be shelved, planners say, whenever there is an apparent move toward a Cyprus settlement. But if prospects for a settlement have inhibited the development of the Turkish Cypriot economy, these economic problems have also contributed to Turkish Cypriot interest in a settlement.

Turkish Cypriots know that their per-capita income is one-third that in the south. And despite a theoretical minimum wage, they know the reality of between 15,000 and 20,000 Turkish liras a month (about \$42 to \$55) is less than one-sixth of that paid across the border. The planners have looked into the future and, as things now stand, it does not work.

## Winegrowers Seek Appellation Contrôlée

By Kerin Hope

LIMASSOL — The vines of Cyprus are credited with providing the original cuttings for some of Europe's most famous wines — champagne in France, Madeira, after Portuguese settlers moved into the island, and even Hungarian Tokay.

The island's robust *xynistiri* white grape and its black equivalent, *mavro*, are still going strong today. Cyprus produces more than 200,000 tons (181,440 metric tons) of grapes annually of which about 130,000 tons are used for winemaking. That makes the Cypriots one of the world's largest per-capita wine producers, although they are only moderate drinkers of wine. The Cypriot national drink is a light brandy produced entirely for domestic consumption.

Cyprus exports more than 2 million gallons (over 7.57 million liters) of sherry to Britain annually. The Greek Cypriot catering trade in London remains a stable market for Cypriot table wine. Sherry exports could be threatened by Spain's upcoming accession to the European Community. But wine industry officials say they are confident that Cyprus sherry can retain its market share in Britain.

In 1983, total wine exports reached 8.7 million gallons and earned 17.2 million Cypriot pounds (about \$25.8 million) in foreign exchange. The island's biggest export customer is the Soviet Union. Sales of wine in bulk have risen from about 300,000 gallons in the mid-1970s to 4.6 million gallons in 1983, representing 41 percent of total wine exports. In addition, almost 6,000 tons of a locally distilled spirit, *zivania*, is exported to

the Soviet Union every year for use in vodka production. Exports of *zivania* were valued at \$1.7 million in 1983.

"We barely cover our costs in exporting red wine to the Soviets, but that's better than having to store a surplus," said George Christodoulou, marketing manager at Keo, one of the island's four major wineries, which are all located in the southern port city of Limassol.

The government is trying to reduce the surplus and boost exports of bottled table wine by persuading the island's 30,000 wine-growing families to experiment with new types of grapes imported from Western Europe. Upgraded Cypriot wine could then compete with Italian and German varieties in markets like the United States and Japan.

At present, Cyprus exports only

11,000 gallons of wine annually to the United States.

"We need to spend more money on advertising in the United States and developing better marketing techniques there," Andreas Petronides, a senior official at the Commerce Ministry, said.

Cypriot growers are trying out more than 70 new grape varieties. They are also being encouraged to accept stricter control over viticulture with a view to producing wines to a standard like the French *appellation contrôlée*.

Cyprus table wine already has a good reputation for consistency because of the small number of wineries on the island and a tradition of strict quality control.

But Commandaria, the sweet fortified dessert wine first produced by the Crusaders in the 13th century, is still the island's only *appellation contrôlée*. Made from grapes grown in a group of 12 villages on the slopes of the Troodos range, it is aged in oak casks and carefully blended.

Traditionally, Cyprus white wines have an edge over the reds. Two dry refreshing white brands are Keo Hock and Arsinoc. Bellas, a slightly peppy white, is growing in popularity. Of the reds, which connoisseurs say have improved markedly in recent years, Domains d'Athra is rated highly for its smooth flavor, and Semell, for a dry fruity flavor. Coeur de Lion is considered the best of the red wines.

In the north of the island, Turkish Cypriots drink wine imported from Turkey, for wine-growing traditionally has been confined to the Troodos district in the south of the island.

But Turkish Cypriot vine growers who moved north in the 1976 exchange of populations took both the *xynistiri* and *mavro* vines with them. Heavier soils and hotter temperatures in the lower-lying north at first raised problems for growers, according to Turkish Cypriot officials.

But their vines are now beginning to produce, and an agreement was signed earlier this month with a West German firm to build a winery in the Karpass peninsula, in the extreme north of the island.

"The winery will be equipped with West German machinery, and the West Germans also will provide the know-how; we intend to become wine exporters ourselves in the next couple of years," said Ayfer Said Erkmen, an economist at the Turkish Cypriot Planning Bureau.

— KERIN HOPE

## Working Up an Appetite in a Country Where Byzantine Methods Are Best

NICOSIA — The best way to learn about cuisine in Cyprus is to experiment on *meze*, a delicious medley of hot and cold appetizers found at tavernas throughout the island.

In more leisureed times, *mezedhes*, as they are known in the plural, took all night to consume, with dishes arriving in the intervals of drinking and conversation. Today also, they are best appreciated slowly.

*Meze* is familiar in different guises in Greece, Turkey and Lebanon. Thasos Ioannou, a Nicosia taverna owner and the island's scholar of the cuisine, believes it is a survival from the days of the Byzantine Empire. "Byzantine cooking forms the basis of much European cuisine today; it spread all over the eastern Mediterranean before the Crusaders took it back to France," he said.

At his taverna, Mr. Ioannou includes *mezedhes* that were popular in medieval Cyprus. One intriguing example is a dish of stewed green peppers in a dressing that includes coriander and garlic.

But modern Cypriot *meze* is distinguished by the island's unique specialties, such as *haloumi* cheese and *hiomeri* pork, and a range of

egg dishes cooked with wild vegetables.

*Haloumi*, a soft white cheese that recalls mozzarella, is served grilled, often on a top of a thin slice of *louza*, a smoked pork fillet. It is often accompanied with shavings of *hiomeri*, cut from a leg of pork marinated for 40 days in a mixture of sea salt and red wine, pressed under millstones and smoked for an entire winter. It rivals Parma ham.

The dips are familiar from elsewhere — *taramosalata*, pink fish roe mixed to a smooth paste with breadcrumbs, olive oil and lemon juice; *melitzanosalata*, a purée of eggplant; and *tabbouleh*, ground sesame seeds mixed with garlic, coriander, olive oil and lemon juice. Next come the omelettes, which in Cyprus consist of gently stirred combinations of eggs and vegetables, notably wild artichokes or wild asparagus. Fresh mushrooms are served grilled or sautéed in butter and sprinkled with broad-leaved Mediterranean parsley.

Later come samples of main dishes: rich tomato-based casseroles of meat and vegetables known as *yachni*, which are the basics of Cypriot cooking. Not to be missed is *afelia*, a neck-of-pork stew prepared with red wine, onions and ground coriander seeds. Another pork stew includes *koliakasi*, a kind of sweet potato.

There are grills, too — spiced sausages, miniature lamb cutlets and *sheftalia*, a ground-meat mixture cooked like a kebab.

*Meze* is invariably accompanied with a dish of lemon halves, the sharp-scented island variety that Cypriots squeeze on everything, even fried eggs.

The other national dish is *kleftiko* lamb ("robbers' lamb"), joints of lamb marinated for several hours in oil and lemon juice and cooked over embers in one of the domed clay ovens that stand outside tavernas and homes.

"It's named for the brigands who used to rustle a lamb and bury it. Then they lit an innocent-seeming fire on top, which cooked the underground joint," said Paris Christodoulou, a cookery expert who runs a hotel in the mountains of southern Cyprus.

Local sweets are Turkish delight — the best comes from the village of Yerokipou — and *sougiokas*, which requires much patience to make. A threaded string of walnuts or almonds is dipped repeatedly into a thick cream of boiled grape juice until it produces a long chewy roll, which is dried in the sun.

— KERIN HOPE



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The lace-making industry in Lefkara is a traditional craft that has been practiced for centuries. The lace is made by hand, using a special technique that has been passed down from generation to generation. The lace is made from a special thread that is brought in from the island of Rhodes. The lace is made in a small town called Lefkara, which is famous for its lace-making industry.

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## Fine Lace Of Lefkara Tops List of Handicrafts

LEFKARA — In winter, the lacemakers of Lefkara sit grouped in twos and threes around a stove, chatting as they embroider tablecloths, placemats and napkins in complex, elegant designs that their ancestors learned centuries ago from Venetian ladies.

Lacemaking and silverwork have kept this southern hill village of pastel-blue houses and red-tiled roofs prosperous for as long as anyone can remember. Lefkarans used to travel throughout Europe with suitcases filled with lace for sale. Today, the customers are mostly tourists who are on the lookout for high-quality handicrafts.

Lefkara lace, a combination of cutwork and satin-stitch embroidery, is prized for its natural colors and the rich, intricate texture of its formal motifs. Tradition has it they were developed by the wives of the island's Venetian rulers, who spent their summers in Lefkara in the late Middle Ages.

The government now imports unbleached Irish linen and fine white cotton thread for the lacemakers, women of all ages who learn the skill at home.

"My eyes are still good, so I can work five or six hours a day without difficulty," said Eleni Kapravani, 73, who started embroidering more than 60 years ago.

She was working on a large tablecloth decorated with an elaborate zigzag "river" design that will take more than a year to complete. It will sell for more than \$600. A smaller tablecloth with simpler decoration costs around \$80, while placemats and napkins sell for about \$25 each.

About a dozen silversmiths also



Tourists examine Nicosia copper handicraft.

work in the village, all specialists in producing chased silver trays, censers and filigree-decorated teaspoons and pastry forks, which are traditional wedding presents in Cyprus.

Lefkara lace designs are also used in the filigree work known as *trifourenia*. Thin threads of silver wire are twisted into delicate flower and leaf shapes and then worked into settings of solid silver. Spoons and forks are cast in old-fashioned iron molds.

Cypriot silverwork is reasonably priced, and Nicosia silversmiths also specialize in copies of ancient and Byzantine pottery and metalwork. Gold jewelry is also a good buy since 18-carat gold is available at prices normally paid for 9-carat in Western Europe.

The island's other traditional crafts, rugs and weavings, pottery, leather goods, woodcarving, baskets and copperware, are all displayed and sold at the Ministry of Commerce and Industry's handicraft center in Nicosia.

Visitors can wander through a

dozen workshops set around a flower-filled courtyard where about 50 artisans work or train in different crafts. The center was set up 10 years ago with the aid of the United Nations Development Fund and the International Labor Organization to rescue disappearing crafts and provide work for refugees from the north of Cyprus.

"At that time, the center filled both a practical and a psychological need to keep people occupied and preserve crafts from their homes in the north. Now we also research folk arts and find ways of adapting traditional crafts to contemporary life," Pangraios Hadji-odoulou, the center's administrator, said.

Woven cushion covers, curtains and bedspreads in brilliant striped reds and bright bands of yellow white and green are based on traditional designs from northern Cyprus.

From the south come the *paphika* embroideries, striking geometric patterns in bright colors woven on the loom on white cotton fabric.

Last year, a new showcase for Cypriot handicrafts opened with the Laiki Yitonias (literally folk neighborhood), a two-block pedestrian area within the old walled city of Nicosia. Traditional two-story houses with dark wooden balconies and shutters have been restored as handicraft shops and centers, cafes and tavernas. Artisans can also be watched at work there, from lacemakers to an icon painter and mosaicist.

And not to be forgotten are the Cyprus tailors, skilled craftsmen of a different kind who can make a classic three-piece suit in imported English fabric in just 72 hours.

— KERIN HOPE

## Moving Mountains to Get In on the Potato Boom

(Continued From Page 7)

Turkish Cypriot sector, and agricultural produce received the same preferential treatment as Greek Cypriot exports. A Greek Cypriot campaign in Brussels brought stricter application of the rules, but Turkish Cypriot farm exports still find their way into the community, often via Turkey.

Agricultural produce is one of the island's few indigenous raw materials, and its high added value makes the sector important for both communities.

Farming contributes 11 percent of gross domestic product in the south and 34 percent of export earnings. More than 60 percent of agricultural exports go to EC countries and the remainder to the Eastern bloc and Arab states.

Citrus earnings totaled about \$20.25 million in 1983 and exports of table grapes, which reach the British and West German markets several weeks earlier than Italian and French produce, brought about \$5.1 million. Wines and spirits — mostly sold in bulk to the Soviet Union — raisins and grape must earned \$25.8 million.

In the north, the farm sector accounts for 18 percent of gross domestic product and 78 percent of exports, with most going to the EC, Turkey and the Arab countries.

Agricultural earnings from citrus and potatoes and sales of live sheep and goats totaled \$15 million last year. Turkish Cypriot farmers, who introduced vines to the north eight years ago, also exported 300 tons of table grapes last year for the first time. But in both sides of the island, development of water supplies for irrigation remains the key to boosting agricultural development.

In the north, where 60 percent of residents are full-time farmers, the focus has been on recovering dried-out citrus groves



Agriculture is important to both communities.

in the Morphou and Famagusta areas with aid from Turkey.

In the south, where farmers make up just 20 percent of the labor force and two-thirds of them work the land on a part-time basis, sophisticated irrigation projects have increased production of bananas and avocados and encouraged experiments with exotic varieties like kiwi and passion fruit and mangoes. But slow progress toward a long-promised customs union with the EC makes the outlook uncertain for Greek Cypriot agriculture, while Spanish and Portuguese accession will affect both potato and citrus exports to the community.

"It's very difficult to plan at present; we're in a vacuum because of the situation in Brussels. We fight hard for our quotas but what comes next is guesswork," Mr. Papasolomonos said.

Greek Cypriot officials blame the island's political problems for the delay. But they also suspect that the European Commission fears that a customs union with Cyprus may set an awkward preced-

edent for future relationships with other Mediterranean countries.

Meanwhile, two major irrigation plans, the \$30-million Paphos project in the south and the \$15-million Pitsilia project on the southern slopes of the Troodos mountain range, have been completed, bringing an additional 6,500 hectares (16,000 acres) under cultivation. A third project, the Vassilikos-Pendaskinos development, near Limassol and due for completion this year at a cost of \$30 million, will irrigate another 1,300 hectares.

In the dry stony mountains of the Pitsilia region, 1,730 hectares have been cleared in terraces where vegetables now sprout between knee-high mandarin trees, each irrigated automatically by an individual sprinkler. Water is pumped from 19 artificial ponds scattered around the district.

The project, assisted by the World Bank, has given the area a new lease on life.

"Farmers are planting new varieties of vine, experimenting with potato growing and introducing cherries up here; the flight to the towns has stopped," Demos Pits-

sources, the district agricultural officer, said.

The Chrysochou project now under way will open up another 4,000 hectares for irrigation. The biggest development of all, the Southern Conveyor project, will be ready by the end of the century.

It will bring water from the Troodos to the red-soil potato-growing villages in the east, where salination has damaged the existing irrigation network. In an unusual barter deal, the Soviet Union has offered to provide pipes, pumps and expertise for the project in return for vine products. In the north, the Turkish government has contributed \$16 million and technical assistance for the Morphou irrigation project to divert water to the region's citrus groves. The project is now two-thirds completed.

Now that vines imported from the south have reached maturity, Turkish Cypriot growers look forward to producing wine in northern Cyprus for the first time.



The most impressive hotel on the west coast of Cyprus.

FOR ENQUIRIES: P.O. BOX 456, PAPHOS, CYPRUS. TELE: 5200 CY-TEL: 081-3801

### CONTRIBUTORS

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## CYPRUS TELECOMMUNICATIONS AUTHORITY (CY.T.A.)

P.O.B. 4929, NICOSIA - CYPRUS

The Cyprus Telecommunications Authority is a Public Corporation responsible for the provision, maintenance and development of a comprehensive telecommunications service both local and overseas.

The Authority's development, seriously impaired because of the heavy capital and revenue losses sustained as a result of the 1974 Turkish Invasion (1/3 of the Authority's installations are in areas still under the control of the invader), evidenced a miraculous recovery and the following services are now provided:

1. 24-hour inland and overseas automatic telephone, telegraph and telex service.
2. 24-hour telegraph, radio telephone and telex service with ships at sea.
3. Telecommunication service, with aircraft within the Cyprus Flight Information Region.
4. Phototelegraph service.
5. Telefax.
6. Datel.

Cyprus Telecommunications Authority occupies an enviable position among the countries with the biggest number of ISD countries connected onto their telephone system. At present eighty five (85) countries are connected on the Authority's ISD service and more than 95% of the world's telephones can be reached from Cyprus automatically.

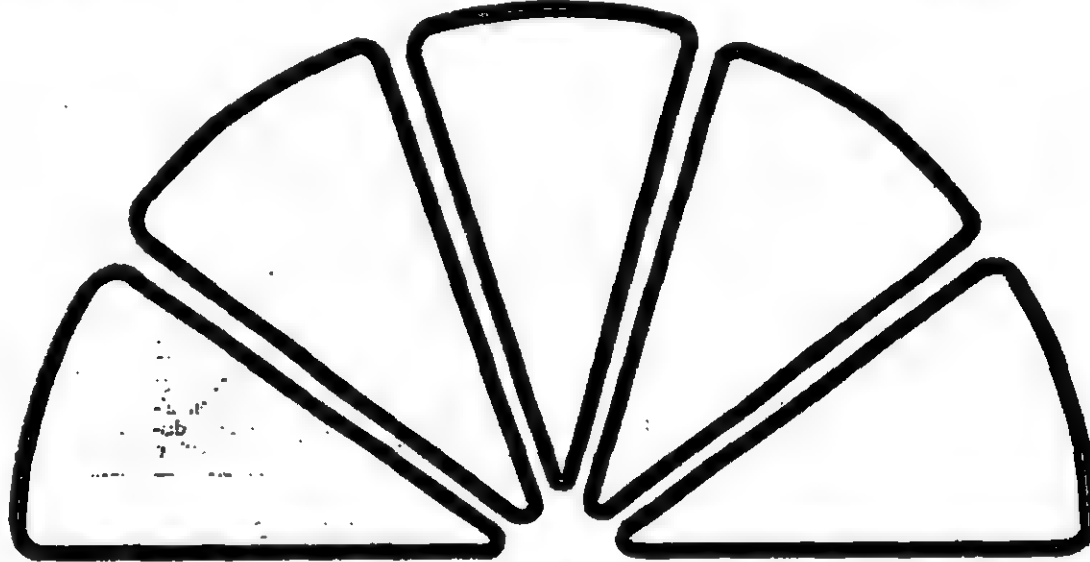
One hundred and ninety seven (197) countries can be contacted by telex automatically and the rest of the world, where this service exists, via the operators.

The Satellite Earth Station "MAKARIOS", with an antenna towards the Atlantic Ocean, has been operating satisfactorily since April 1980 and a further improvement of the international network is the introduction of a satellite via the Indian Ocean Region in 1982 with a Standard B. Antenna. The new Satellite is operating as from October, 1982.

Another Cyprus-Greece submarine Cable System, APOLLO, of 1,380 channel capacity has been operational since the end of 1981, thus increasing substantially the Authority's number of international telephone and telex channels via cable. This is in addition to the "APHRODITE" and "ADONIS" Cable systems of 480 channels each operating already with Greece and Lebanon respectively.

Full telecommunication service to all rural areas in the island will be provided within the next three years.

The Authority keeps abreast with technical progress so that it can give to the general public a modern and efficient service.



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Telex: 8813388



This announcement appears as a matter of record only.  
The Notes were offered and sold outside of the United States of America.



## Ford Motor Credit Company

U.S. \$100,000,000  
11 3/4% Notes due February 15, 1990

U.S. \$100,000,000  
12% Notes due February 15, 1995

Goldman Sachs International Corp.

Deutsche Bank Aktiengesellschaft

Swiss Bank Corporation International Limited

Union Bank of Switzerland (Securities) Limited

Commerzbank Aktiengesellschaft

Banque Nationale de Paris

County Bank Limited

Credit Suisse First Boston Limited

Merrill Lynch Capital Markets

Samuel Montagu & Co. Limited

Morgan Guaranty Ltd

Morgan Stanley International

Salomon Brothers International Limited

Société Générale de Banque S.A.

Sumitomo Finance International

January, 1985

This announcement appears as a matter of record only.  
The Notes were offered and sold outside of the United States of America.

U.S. \$125,000,000

## The Signal Companies, Inc.

11 3/4% Notes due February 20, 1992

Goldman Sachs International Corp.

Lazard Frères & Co.

Swiss Bank Corporation International Limited

Algemene Bank Nederland N.V.

Bank of Tokyo International Limited

Banque Bruxelles Lambert S.A.

Banque Nationale de Paris

Chase Manhattan Capital Markets Group

Deutsche Bank Aktiengesellschaft

Morgan Grenfell & Co. Limited

Morgan Guaranty Ltd

Nomura International Limited

Salomon Brothers International Limited

Union Bank of Switzerland (Securities) Limited

Julius Baer International Limited

Banca del Gottardo

Bank Gutzwiller, Kurz, Bungener (Overseas) Limited

Bank Leu International Ltd.

Banque Populaire Suisse S.A. Luxembourg

Banque Scandinave en Suisse

Compagnie de Banque et d'Investissements, CBI

Great Pacific Capital S.A.

February, 1985

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The Notes were offered and sold outside of the United States of America.

U.S. \$300,000,000

## Chemical New York Corporation

Floating Rate Subordinated Capital Notes Due 1997

Goldman Sachs International Corp.

Al-Mal Group

Amro International Limited

Arab Banking Corporation (ABC)

Banca Commerciale Italiana

Banco di Roma

Banque Bruxelles Lambert S.A.

Banque Indosuez

Banque Internationale à Luxembourg S.A.

Banque Paribas Capital Markets

Commerzbank Aktiengesellschaft

Credit Lyonnais

Dai-ichi Kangyo International Limited

Daiwa Bank (Capital Management) Ltd.

Daiwa Europe Limited

DG BANK

Dresdner Bank Aktiengesellschaft

Enskilda Securities

European Banking Company Limited

First Chicago Limited

Fuji International Finance Limited

Girozentrale und Bank der österreichischen Sparkassen

Gulf International Bank B.S.C.

IBJ International Limited

Kleinwort, Benson Limited

Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)

Kyowa Bank Nederland N.V.

Lehman Brothers International

LTCB International Limited

Mitsubishi Finance International Limited

Mitsubishi Trust & Banking Corporation (Europe) S.A.

Mitsui Finance International Limited

Mitsui Trust Bank (Europe) S.A.

Samuel Montagu & Co. Limited

Morgan Grenfell & Co. Limited

Morgan Stanley International

Nippon Credit International (HK) Limited

Orion Royal Bank Limited

Österreichische Landerbank Aktiengesellschaft

Sumitomo Finance International

Sumitomo Trust International Limited

Svenska Handelsbanken Group

Swiss Bank Corporation International Limited

The Taiyo Kobe Bank (Luxembourg) S.A.

Takagin International Bank (Europe) S.A.

Tokai International Limited

Toyo Trust International Limited

Union Bank of Switzerland (Securities) Limited

Wardley London Limited

Yamaichi International (Europe) Limited

Yasuda Trust Europe Limited

February, 1985

This announcement appears as a matter of record only.  
The Notes and Warrants were offered and sold outside of the United States of America.



## Mitsui Finance Asia Limited

(Incorporated with limited liability in the Cayman Islands)

U.S. \$100,000,000

12 1/4 per cent. Guaranteed Notes due 1992  
and 100,000 Warrants to subscribe U.S. \$100,000,000  
12 1/8 per cent. Guaranteed Notes due 1992

Unconditionally guaranteed as to payment of principal, premium (if any) and interest by

## The Mitsui Bank, Limited

(Kabushiki Kaisha Mitsui Bunko)

(Incorporated with limited liability in Japan)

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Goldman Sachs International Corp.

Hambros Bank Limited

Morgan Guaranty Ltd

Salomon Brothers International Limited

BankAmerica Capital Markets Group

Bank Leu International Ltd.

Bankers Trust International Limited

Chase Manhattan Capital Markets Group

Chemical Bank International Limited

Citicorp Capital Markets Group

Commerzbank Aktiengesellschaft

County Bank Limited

Crédit Lyonnais

Credit Suisse First Boston Limited

Daiwa Europe Limited

Kleinwort, Benson Limited

Lehman Brothers International

Merrill Lynch Capital Markets

Samuel Montagu & Co. Limited

Morgan Grenfell & Co. Limited

Morgan Stanley International

Nomura International Limited

Orion Royal Bank Limited

Smith Barney, Harris Upham & Co.

Société Générale

Société Générale de Banque S.A.

S. G. Warburg & Co. Ltd.

February, 1985

MONDAY, FEB

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### Stock Indexes

United States

	Last Wk.	Prev. Wk.
DJ Indus.	1,275.84	1,282
DJ Util.	147.47	150
DJ Trans.	425.11	429
S&P 100	176.02	177
S&P 500	179.37	181
NYSE Comp.	104.01	105

Date from Financial Review Securities

Britain

	N.A.	1981
FTSE 100	975.20	981

Hong Kong

	1,435.17	1,405
Hong Kong		

Japan

	12,147.06	12,148
Nikkei DJ		

West Germany

	1,176.30	1,162
Commerzbank		

New U.S. indices from James Canal & Co., Inc.

Official fixings for Amsterdam

4 P.M.

	\$	¢
Amsterdam	2,322	2,125
Brussels	68,0425	73,570
Frankfurt	3.28	3,645
London (B)	1,0705	1,287
Paris	2,164.20	2,264.80
New York (C)	—	1,075
Porto	10,238	11,132
Tokyo	28,275	28,439
100	2,855	2,867
100	0.6572	0.6514
100	0.95802	0.9540

Source: Reuters

100 = 100 (1) Units of 100 (1) Unit

Source: Reuters

Source: Reuters

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Source: Reuters



EUROBONDS

Surprisingly Short Life  
For New Mini-Max Floaters

By CARL GEWIRTZ  
International Herald Tribune

PARIS — Fads come and go. But even by Eurobond market standards, where the pace of change is hectic, the popularity of the mini-max floater initiated last week had a startlingly short life.

By Friday, the four issues were trading at substantial discounts — indicating extreme market disfavor with the concept.

Mini-max is so called because it corrects the interest cost of the borrower between a minimum (10 percent for Denmark, Commerzbank and Swedish Export Credit; 10 1/2 percent for Christiana Bank) and a maximum charge (11 1/2 percent for Christiana, 11 3/4 percent for Swedish Export and 11 1/2 percent for Denmark and Commerzbank).

At the launch, the minimum coupon represented a theoretical gain for investors: The London interbank offered rate was 9 1/2 percent and the margins to be paid by the borrowers — ranging from 1/4 to 1/2-point over Libor — would have indicated a coupon of less than 10 percent had there been no minimum.

The coupons in fact will not be set for some weeks. And in the meantime Libor has drifted higher, closing the week at 9 15/16 percent. At that rate, of course, the 10-percent minimum is of no appeal as the initial coupon (except for Christiana) would have to be set over 10 percent.

Beyond the ups and downs of short-term interest rates, there was widespread criticism of the concept.

While the relatively high minimum coupon generates some enthusiasm (the standard minimum on traditional floating-rate notes is 5 1/4 percent), it is not enough to off set the drawback of the maximum rate. Critics argue that any investor willing to accept the possibility of getting locked into the maximum coupon if interest rates soar would do better to buy the outstanding fixed-coupon bonds of these borrowers (except Christiana which has only the FRN sector). Their paper could currently be bought for yields close to or exceeding the guaranteed maximum on the FRNs.

The essential criticism is that the mini-max is neither an FRN nor a fixed-rate bond. It does not appeal to FRN buyers — largely banks — who want the assured comfort of knowing they will earn a fixed margin over Libor, which floats up or down in relation to their own funding costs of Libor (the interbank bid rate).

AND it does not appeal to fixed-income investors who currently would be asked to accept a yield of just over 10 percent from borrowers who should pay much more than that for fixed-rate money.

The criticism might have been less vocal if short-term interest rates had not risen as much as they did last week — if the minimum coupon would have represented a comfortable gain over what a normal FRN would pay.

But that was not the case. Bond markets last week heard Paul A. Volcker, the Federal Reserve Board chairman, tell Congress that policy was currently neutral, aiming neither to lower rates nor to raise them. This was not news; it confirmed what the market had already interpreted from the Fed's actions.

But that was followed by news of a one-percentage-point increase in the fourth-quarter rate of economic expansion, now put at a 4.9 percent annual rate. The size of the revision was a surprise.

Markets read that as meaning the Fed would be under no pressure to lower interest rates, that the business expansion was in no danger of stumbling and that there was only one direction for Fed policy to change — namely less accommodation.

"Money (supply) growth is pushing ahead vigorously with M-1 increasing at an annual rate of 9 percent in January and perhaps more than 10 percent in February," said Henry Kaufman, the noted Salomon Brothers economist. He added: "There is no known law of monetary economics that would suggest that money and credit growth will subside on its own account, particularly given the huge financing needs of the U.S. Treasury and the enlarged credit demands from the private sector that will be associated with real growth of 5 percent, or perhaps higher, in several of the next few quarters."

This widely shared outlook cast a pall over bond markets as (Continued on Page 15, Col. 2)

Algeria,  
Spain End  
Gas Rift

Madrid to Pay  
Compensation

Reuters

PARIS — Spain has signed a 23-year agreement to resume purchases of Algerian liquefied natural gas, ending a four-year price dispute in which deliveries had been suspended, the Algerian News Agency said Sunday.

Value of the accord, signed in Algiers on Saturday, was not disclosed. But Spanish sources said Madrid had agreed to pay \$3.84 per million British thermal units, about \$1 more than it was paying under the original contract, but well below the \$5 to \$5.50 that Algeria had originally been seeking.

In addition, Spain agreed to pay Algeria for its failure to take delivery of the 4.5 billion cubic meters of the 4.5 billion cubic meters (157.5 billion cubic feet) of gas a year provided for by the original contract.

The agency did not say how much compensation Spain would pay, but diplomatic sources put the figure at \$500 million. Algeria also granted a six-year grace period during which Spain would increase gas imports to 3.8 billion cubic meters. Because its distribution network could not absorb all the gas and because of a decline in demand, Spain took only 1.3 billion cubic meters a year, Spanish sources said.

Several countries, including Italy, France and the United States, suspended or cancelled outright purchases of Algeria's natural gas when it sought to force up the price to rough parity, in terms of BTU content, with crude oil. But Algeria lost much of its leverage in Europe when the Soviet Union emerged as a huge new supplier, and most of the disputes have been settled.

Volvo Buying Iranian Oil

AB Volvo's oil trading subsidiary, Scandinavian Trading Co., has agreed to buy \$250 million worth of oil from Iran in 1985, Reuters reported Sunday from Stockholm.

Scandinavian Trading's managing director, Jan Danielsson, said the company would resell the oil to the highest bidder but did not disclose the price per barrel agreed to in the purchase.

A finance ministry official said Iranian oil sales to Sweden would total \$400 million in 1985.

7 Firms Acquire Stake in Dainichi Kiko

Reuters

TOKYO — Seven foreign companies have acquired a total of 160,000 shares, valued at 4.36 billion yen (\$16.6 million), in Dainichi Kiko Corp., a Japanese manufacturer of industrial robots, a company spokesman said Sunday.

The companies include Baring International Investment Management Ltd., with 40,000 shares, Royal Bank of Scotland PLC, with 30,000 shares, and Phillips & Drew, with 20,000 shares, the spokesman said. He did not identify the other four companies.

The transaction continues a trend of foreign companies acquiring interests in the Japanese robot industry.

Orders Rise  
For U.S.-Made  
Factory Tools

New York Times Service

NEW YORK — Orders for U.S.-made machine tools, a closely watched indicator of economic health, rose 12.1 percent in January from a year ago, the industry's trade association said Sunday.

But the National Association of Machine Tool Builders added that the net orders for January of \$211.9 million represented a 17 percent drop from December's levels.

"January is usually a slow month because manufacturers are reluctant to make big outlays at the beginning of the year," said Christine Chien, an analyst with Prudential-Bache Securities Inc. "December is usually strong because people want to use up their budgets."

Analysts said they were still predicting a steady rise this year in orders for the tools, power-driven machinery that cuts or shapes metal, with improvement in the automobile and military industries responsible for most new orders.

Chien said she expected orders for metal-cutting tools, which make up about two-thirds of the industry, to climb 30 percent.

James A. Gray, president of the tool builder's association, said, "Although we lost about one-quarter of our industry in the last few years, the machine-tool industry continues to restructure and rebuild itself from a very modest base."

The industry has been battered by foreign competition and is recovering from record depressed levels in 1983.

"Foreign competition continues to be a major factor, garnering 50 percent of the market in some sectors," said Richard Rossi, an analyst with Merrill Lynch & Co.

Shipments for January totaled \$137.8 million, up 22 percent over January of last year, but down 50 percent from December.

Chesebrough Move Raises Eyebrows

Stauffer Merger  
Seen as Bid to  
Avert Takeover

By Daniel F. Cuff  
New York Times Service

NEW YORK — Chesebrough-Pond's Inc. is one of the few companies that get high marks on Wall Street for exceptional skill in making acquisitions. But not so with its latest maneuver.

For decades, Chesebrough-Pond's manufactured and marketed such stalwart products as Vaseline petroleum jelly, Pond's cold cream and other home-care and cosmetic products. Then, some 15 years ago, the company started to add such items as spaghetti sauce, tennis racquets, shoes and children's clothes.

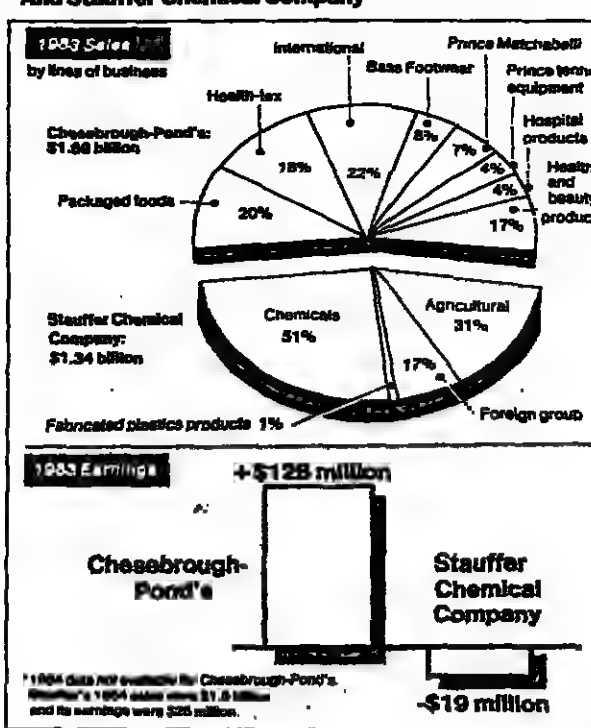
Disparaging though they were, they were part of a grand strategy that made good economic sense. The acquisition strategy, according to analysts, was to buy what Chesebrough-Pond's considered undermarketed brands and expand them.

Ragu spaghetti sauce, for example, was a regional brand when in Rochester, New York, made Chesebrough-Pond's took it over in 1969 for \$44 million. Chesebrough-Pond's marketed the sauce skillfully across the United States. In the first nine months of last year, the company sold \$250 million worth of Ragu.

The diversification strategy allowed Chesebrough-Pond's, based in Greenwich, Connecticut, to continue its enviable record of earnings and dividend growth. Until things soured last year, it had reported 28 consecutive years of increasing profit.

Now, Chesebrough-Pond's says it plans to add the Stauffer Chemical Co., but as Wall Street sees it, the proposed acquisition does

Combined Sales and Earnings of Chesebrough-Pond's  
and Stauffer Chemical Company



not mesh with the company's prior strategy.

Analysis size up the Stauffer move as a transparent attempt by Chesebrough-Pond's to protect itself from being taken over. Analysts said there appeared to be few business opportunities in the proposed \$1.25-billion link between Stauffer's chemical operations and Chesebrough's branded products business.

The latest move comes while the company is still under the stewardship of its acquisition strategist, Ralph E. Ward, chairman and chief executive. It was Mr. Ward who caused consternation in the board room when he bought Ragu 16 years ago and

plotted the company against such food giants as H.J. Heinz Co., Campbell Soup Co. and Hunt-Wesson.

But Mr. Ward made it work and he went on to apply some of the same principles in the acquisition of Health-Tex children's clothing, Bass shoes and Prince tennis racquets.

All these products were an odd fit with the company's 80-year-old Pond's cold cream and its Vaseline petroleum jelly, which goes back 115 years. But they had one thing in common: a strong brand name.

So Chesebrough-Pond's became a highly diversified, con-

Bank of Boston  
Warned of Law,  
U.S. Official Says

By James Stengold  
New York Times Service

NEW YORK — First National Bank of Boston, which has maintained that it was not aware until last year of a 1980 law requiring it to report international currency transactions, was the subject of an extensive examination in 1982 by the Comptroller of the Currency that concentrated on its large cash transfers, the government's chief bank examiner says.

In addition, the bank received at least four notifications from the Comptroller between 1980 and 1984 that the law requiring the reports to the government had been tightened, banking officials said.

The law, known as the Bank Secrecy Act, was enacted in 1970 to help the government trace money laundered by organized crime.

Two weeks ago, the bank pleaded guilty to a felony charge of having failed to properly report \$1.22 billion in international currency transactions, mostly with Swiss banks, from July 1980 to September 1984. It was fined \$500,000, the maximum for the offense.

At a news conference on Feb. 11, bank officials maintained that the reason the reports were not filed with the Internal Revenue Service was because, when the changes were published in the Federal Register, they were not noticed by bank officers. The bank on Friday again said it had simply missed the changes.

But officials in the comptroller's office, which regulates nationally chartered banks, said that four notifications of the changes were sent to the Bank of Boston and other national banks.

All the notices were addressed to



William L. Brown

the bank's chief executive, William L. Brown.

In addition, the comptroller's office received a recommendation from the Treasury Department in 1982 to perform an extended examination of the bank. John F. Downey, chief national bank examiner, said in Washington. The comptroller was asked to look at compliance with the laws requiring reports of large cash transactions, both domestic and international.

That examination took place from September to November 1982, Mr. Downey said.

He said that by taking special note of the Bank of Boston's currency transactions, "it was a clear signal to them that we were interested in this area." Still, the bank did not file the currency transaction reports for the international transactions.

A Dizzying Slide Carries Canada's Dollar Toward 70 Cents

Compiled by Our Staff From Dispatches

TORONTO — The Canadian dollar dropped so low last week that newspaper cartoonists began poking fun at the beleaguered currency.

"Buckingham Palace is on the phone," Finance Minister Michael Wilson tells Prime Minister Brian Mulroney in an editorial cartoon in The Globe and Mail. "The Queen wants her face removed from the dollar."

Indeed, the value of the currency fell so quickly last week that money traders and exchange dealers speculated that Canada could be headed for a dollar worth 70 U.S.

cents by the end of this week, although at least one dealer disagreed.

"I would hazard a guess that around 72 cents is the bottom," said Rod Fowler, foreign exchange manager at Wood Gundy Ltd.

One trader described it as the worst week ever for the Canadian dollar, in terms of rapidity of decline.

The currency opened the week at 74.65 cents and fell to as low as 71.78 Friday before settling in late trading at 72.1 cents.

"The U.S. dollar has been rising against all the world's currencies," said Barry Davenport, a vice president of the Bank of Montreal. "What we've got is a super U.S. dollar."

Evidence of mounting concern over the Canadian dollar was the widening of quote spreads, analysts said. The normal bid-and-offer spread for the currency is about three points, but during trading Friday it soared to 20 points, dealers noted.

On Thursday, the Bank of Canada pegged its key rate at 10.95 percent, up from 10.48 percent a week earlier.

Earlier in the week, Mr. Wilson was forced to borrow \$500 million from international bankers to add to the government's reserve to buy Canadian currency.

But one analyst said, "Foreign speculators still detect a lack of sufficient resolve on the

part of Ottawa to defend the dollar at current levels."

Some dealers also said the Canadian dollar's run may have been exacerbated last week from effects of the sale of 495 million dollars of shares in Texaco Canada Inc.

The sale, the largest stock sale in Canadian history, involved 14 million shares by Texaco Canada's U.S. parent, Texaco Inc., as part of a transaction that will allow it to take over another Canadian oil company.

The Canadian dollar has been falling since November 1976, when it took 97 Canadian cents to get \$1 on the spot market. (UPI, Reuters)

Last Week's Markets

All figures are as of close of trading Friday

Stock Indexes

United States	Last Wk.	Prev. Wk.	% Chg.
DJ Index	1,275.84	1,282.02	-0.48
DJ Ind. Ave.	146.67	150.85	-0.78
DJ Trans.	625.11	629.21	-0.65
S & P 500	174.02	177.95	-1.08
S & P 500	179.37	181.60	-1.23
NYSE Comp.	104.01	105.27	-1.25
London	2,165.20	2,164.80	0.02
FTSE 100	N.A.	1,281.40	
FT 30	975.20	981.10	-0.61
Hong Kong			
Hong Kong	1,625.17	1,605.93	+2.04
Japan			
Nikkei DJ	12,147.36	12,148.29	-0.01
West Germany			
Commerzbank	1,776.30	1,162.60	+1.16

Money Rates

United States	Last Wk.	Prev. Wk.	% Chg.
Discount rate	8	8	
Federal funds rate	8.50	8.50	
Prime rate	10.50	10.50	
Japan			
Discount	5	5	
Call money	6 1/2	6 1/2	
30-day interbank	6 1/2	6 1/2	
West Germany			
Lombard	6	6	
Overnight	5 1/2	5 1/2	
1-month interbank	5 1/2	5 1/2	
Bank base rate	14	14	
Call money	14 1/4	14	
3-month interbank	14 1/4	13 3/4	
Dollar			
30-day interbank	150	150	
Gold			
London Bull. Fin. S.	298.40	304.00	-1.84

Currency Rates

Official fixings for Amsterdam, Brussels, Frankfurt, Milan, Paris, New York rates at 4 P.M.

	\$	£	D.M.	F.F.	It.L.	Gr.	S.F.	S.P.	Yes
Amsterdam	3.602	4.125	113.34	37.04	0.1819	5.637	32.39	145.95	
Brussels	48.0425	23.575	20.12	4.818	2.235	17.205	—	22.075	25.92
Frankfurt	3.36	2.445	—	32.71	1.065	8.25	4.96	118.41	1.28
London	1.0705	—	3.602	11.343	2.0705	4.53	78.2	10.76	20.25
Milan	2,165.20	2,164.80	622.75	202.96	528.16	30.9	727.26	8.225	
New York	—	1.075	3.2925	10.37	2,122.00	3.8415	68.21	2.857	262.95
Paris	16.358	11.132	3.6567	4.904	2.2995	15.995	—	3.225	3.976
Tokyo	262.25	264.29	77.59	25.02	48.76	30.25	92.65	—	
Zurich	2.856	3.0673	84.275	27.575	0.1335	74.365	4.1875	—	1.0667
1 ECU	0.6573	0.6114	2.2258	6.026	1.28616	2.222	44.722	1.8781	172.728
1 SDR	0.953802	0.8845	3.22385	9.86041	2.07835	3.655	64.8971	2.7164	249.51

Dollar Values  
Per \$  
Euro 1.6363  
Austrian schilling 13.7603  
Belgian franc 20.3606  
British pound 0.7937  
Canadian dollar 0.7211  
Dutch guilder 1.8360  
French franc 6.5595  
German mark 1.9360  
Italian lira 1.9360  
Japanese yen 106.48  
Swiss franc 2.0048  
Spanish peseta 166.64  
U.S. dollar 1.0000  
West German mark 1.9360  
Yen 106.48

Per £  
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British pound 0.7937  
Canadian dollar 0.7211  
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West German mark 1.9360  
Yen 106.48



# International Bond Prices - Week of Feb. 21

Provided by Credit Suisse First Boston Securities, London, Tel.: 01-623-1277  
Prices may vary according to market conditions and other factors.

## RECENT ISSUES

Asset	Security	%	Mat	Yield	Price	Yield	Price
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100

## STRAIGHT BONDS

All Currencies Except DM

Asset	Security	%	Mat	Yield	Price	Yield	Price
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100

Asset	Security	%	Mat	Yield	Price	Yield	Price
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
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100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
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100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100

Floating Rate Note  
Commercial Bank of America  
New York

Commercial Bank of America  
New York

Commercial Bank of America  
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## New Eurobond Issues

Issuer	Amount (millions)	Mat.	Coup. %	Price	Terms
<b>FLOATING RATE NOTES</b>					
Canadian Imperial Bank of Commerce	\$200	2005	100	99.75	Interest pegged to average of bid and offered rates for 6-month Eurodollars, reset monthly. Callable in 1986 at par and redeemable in 1995 and 2000. Fees 0.25%. Denominations \$10,000.
Christiana Bank	\$100	1995	100	98	Over 6-month Libor. Minimum coupon 10% and maximum 11%. Noncallable. \$75 million raised now and \$25 million reserved for 6-month top. Fees 0.40%. Denominations \$10,000. Payable May 15.
Commerzbank Overseas Finance	\$100	1995	100	98.75	Over 6-month Libor. Minimum coupon 10% and maximum 11%. Noncallable. \$75 million raised now and \$25 million reserved for 6-month top. Fees 0.40%. Denominations \$10,000. Payable May 15.
Denmark	\$250	1995	100	98.80	Over 6-month Libor. Minimum coupon 10% and maximum 11%. Noncallable. \$75 million raised now and \$25 million reserved for 6-month top. Fees 0.40%. Denominations \$10,000. Payable May 15.
Electricité de France	\$300	1997	100	99.60	Interest pegged to the bid rate for 6-month Eurodollars, reset monthly. Callable at par in 1986. Each \$10,000 note with 10 warrants, holders of 20 warrants entitled to exchange until Feb. 1986 a \$10,000 note for 9% eu-denominated bonds of 1995. Exchange rate to be set Feb. 27. Ecu bonds first callable at 100% in 1992, and at 103 if less than 10 million new worth of bonds is issued. Warrants priced at \$14 each, finished the week at \$12.5. Fees 0.45%.
Kemira Oy	\$75	1995	100	99.95	Over 6-month Libor. Callable in 1987 at par. Additional \$25 million reserved for a 1-year top. Fees 0.55%. Denominations \$10,000.
Spain	\$375	2005	100	99.80	Interest pegged to the offered rate for 6-month Eurodollars, reset monthly. Callable at par in 1986. Fees 0.10%. Denominations \$10,000.
<b>FIXED-COUPON</b>					
Engelhard	\$100	1992	11 1/4	99.88	Callable at 101 in 1990.
Copenhagen Telephone	ECU 30	1995	10%	100	Sinking fund to start in 1990 to produce an 8% average life.
Euratom	ECU 50	1997	10	100	Callable at 101 1/4 in 1994. Sinking fund to start operating in 1993 to produce a 10-year average life.
Pechiney	ECU 50	1990	10	100	Noncallable.
EIB	CS 75	1992	12	100%	Noncallable. Payable May 29.
BP Overseas Finance	¥ 170,000	1992	7	100	Noncallable.
NZI Overseas Finance	NZ\$ 25	1992	15%	99%	Redeemable at par in 1990.
<b>EQUITY-LINKED</b>					
Kao	\$70	2000	3	100	Semiannually. Callable at 104 in 1988. Convertible at \$61 per share and at \$62.50 per share.
Onoda Cement	\$35	1990	open	100	Coupon indicated at 3%. Noncallable. Each \$5,000 note with one warrant exercisable into shares at an anticipated 25% premium. Terms to be set Feb. 27.
Honda Motor	DM 200	1990	open	100	Coupon indicated at 3%. Noncallable. Each 5,000-yen note with one warrant exercisable into shares at an anticipated 25% premium. Terms to be set Feb. 27.
Honda Motor	DM 100	1990	open	100	Coupon indicated at 3%. Noncallable. Each 10,000-yen note with one warrant exercisable into shares at an anticipated 25% premium. Terms to be set Feb. 27.

## Phillips Sets New Deadline For Voting

Washington Post Service

BARTLESVILLE, Okla.—Phillips Petroleum Co. officials, apparently unable to assemble enough shareholder votes to pass their proposed plan to recapitalize the company, have extended the deadline for shareholder balloting until Wednesday.

The voting was first extended until Saturday, but Phillips delayed it again last Friday because of developments in a court case in Delaware, where it is incorporated.

A company spokesman, speaking after the stockholder meeting Friday at which the results were to have been announced, said Phillips would use the extra time to lobby more shareholders to vote for the proposal.

Phillips needs about 78 million shareholder votes to pass the proposal, and there have been reports that the company is several million votes shy of that. Several large shareholders have said they would vote against the proposal.

Reportedly, Phillips was shocked by the decision of Capital Guardian Trust Co. of Los Angeles—which holds about 3 percent, or more than 4 million shares, of Phillips stock—to switch its vote against management.

At the stockholder meeting, many speakers expressed fears that without the \$2-billion recapitalization plan, Phillips would be taken over and broken up by the New York financier, Carl C. Icahn, who is offering \$50 a share for about half the company.

A spokesman for Mr. Icahn, who owns slightly less than 5 percent of Phillips, told the 5,000 shareholders at the meeting, "We are not against Phillips. What we are against is the recapitalization."

Under the plan, Phillips' shareholders would receive \$60 in debt securities for 38 percent of the shares, \$3.32 market value in a new preferred stock for each common share following recapitalization, and \$50 cash per common share in a self-tender offer.

## NASDAQ National Market

Sales in 100s High Low Close CAGR				Net
A				
AAAI	21	21	21	0
AAEC	21	21	21	0
AAFC	21	21	21	0
AAFG	21	21	21	0
AAH	21	21	21	0
AAI	21	21	21	0
AAJ	21	21	21	0
AAK	21	21	21	0
AAAL	21	21	21	0
AAAM	21	21	21	0
AAAN	21	21	21	0
AAAO	21	21	21	0
AAAP	21	21	21	0
AAAR	21	21	21	0
AAAS	21	21	21	0
AAAT	21	21	21	0
AAAU	21	21	21	0
AAAV	21	21	21	0
AAAW	21	21	21	0
AAAX	21	21	21	0
AAAY	21	21	21	0
AAAZ	21	21	21	0
AABA	21	21	21	0
AABB	21	21	21	0
AABC	21	21	21	0
AABD	21	21	21	0
AABE	21	21	21	0
AABF	21	21	21	0
AABG	21	21	21	0
AABH	21	21	21	0
AABI	21	21	21	0
AABJ	21	21	21	0
AABK	21	21	21	0
AABL	21	21	21	0
AABM	21	21	21	0
AABN	21	21	21	0
AABO	21	21	21	0
AABP	21	21	21	0
AAAR	21	21	21	0
AAAS	21	21	21	0
AAAT	21	21	21	0
AAAU	21	21	21	0
AAAV	21	21	21	0
AAAW	21	21	21	0
AAAX	21	21	21	0
AAAY	21	21	21	0
AAAZ	21	21	21	0
AABA	21	21	21	0
AABB	21	21	21	0
AABC	21	21	21	0
AABD	21	21	21	0
AABE	21	21	21	0
AABF	21	21	21	0
AABG	21	21	21	0
AABH	21	21	21	0
AABI	21	21	21	0
AABJ	21	21	21	0
AABK	21	21	21	0
AABL	21	21	21	0
AABM	21	21	21	0
AABN	21	21	21	0
AABO	21	21	21	0
AABP	21	21	21	0
AAAR	21	21	21	0
AAAS	21	21	21	0
AAAT	21	21	21	0
AAAU	21	21	21	0
AAAV	21	21	21	0
AAAW	21	21	21	0
AAAX	21	21	21	0
AAAY	21	21	21	0
AAAZ	21	21	21	0
AABA	21	21	21	0
AABB	21	21	21	0
AABC	21	21	21	0
AABD	21	21	21	0
AABE	21	21	21	0
AABF	21	21	21	0
AABG	21	21	21	0
AABH	21	21	21	0
AABI	21	21	21	0
AABJ	21	21	21	0
AABK	21	21	21	0
AABL	21	21	21	0
AABM	21	21	21	0
AABN	21	21	21	0
AABO	21	21	21	0
AABP	21	21	21	0
AAAR	21	21	21	0
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AABA	21	21	21	0
AABB	21	21	21	0
AABC	21	21	21	0
AABD	21	21	21	0
AABE	21</			



Prices may vary according to market conditions and other factors.

48 2512

City	State	Year	Population	Area	Density	Water	Land	Total	Urban	Rural	Uninc.	Pop. Density	Urban Density	Rural Density	Uninc. Density
Albany	N.Y.	1900	19,000	1.0	19,000	1.0	1.0	1.0	1.0	1.0	1.0	19,000	19,000	1.0	1.0
Albany	N.Y.	1910	20,000	1.0	20,000	1.0	1.0	1.0	1.0	1.0	1.0	20,000	20,000	1.0	1.0
Albany	N.Y.	1920	21,000	1.0	21,000	1.0	1.0	1.0	1.0	1.0	1.0	21,000	21,000	1.0	1.0
Albany	N.Y.	1930	22,000	1.0	22,000	1.0	1.0	1.0	1.0	1.0	1.0	22,000	22,000	1.0	1.0
Albany	N.Y.	1940	23,000	1.0	23,000	1.0	1.0	1.0	1.0	1.0	1.0	23,000	23,000	1.0	1.0
Albany	N.Y.	1950	24,000	1.0	24,000	1.0	1.0	1.0	1.0	1.0	1.0	24,000	24,000	1.0	1.0
Albany	N.Y.	1960	25,000	1.0	25,000	1.0	1.0	1.0	1.0	1.0	1.0	25,000	25,000	1.0	1.0
Albany	N.Y.	1970	26,000	1.0	26,000	1.0	1.0	1.0	1.0	1.0	1.0	26,000	26,000	1.0	1.0
Albany	N.Y.	1980	27,000	1.0	27,000	1.0	1.0	1.0	1.0	1.0	1.0	27,000	27,000	1.0	1.0
Albany	N.Y.	1990	28,000	1.0	28,000	1.0	1.0	1.0	1.0	1.0	1.0	28,000	28,000	1.0	1.0
Albany	N.Y.	2000	29,000	1.0	29,000	1.0	1.0	1.0	1.0	1.0	1.0	29,000	29,000	1.0	1.0
Albany	N.Y.	2010	30,000	1.0	30,000	1.0	1.0	1.0	1.0	1.0	1.0	30,000	30,000	1.0	1.0
Albany	N.Y.	2020	31,000	1.0	31,000	1.0	1.0	1.0	1.0	1.0	1.0	31,000	31,000	1.0	1.0
Albany	N.Y.	2030	32,000	1.0	32,000	1.0	1.0	1.0	1.0	1.0	1.0	32,000	32,000	1.0	1.0
Albany	N.Y.	2040	33,000	1.0	33,000	1.0	1.0	1.0	1.0	1.0	1.0	33,000	33,000	1.0	1.0
Albany	N.Y.	2050	34,000	1.0	34,000	1.0	1.0	1.0	1.0	1.0	1.0	34,000	34,000	1.0	1.0
Albany	N.Y.	2060	35,000	1.0	35,000	1.0	1.0	1.0	1.0	1.0	1.0	35,000	35,000	1.0	1.0
Albany	N.Y.	2070	36,000	1.0	36,000	1.0	1.0	1.0	1.0	1.0	1.0	36,000	36,000	1.0	1.0
Albany	N.Y.	2080	37,000	1.0	37,000	1.0	1.0	1.0	1.0	1.0	1.0	37,000	37,000	1.0	1.0
Albany	N.Y.	2090	38,000	1.0	38,000	1.0	1.0	1.0	1.0	1.0	1.0	38,000	38,000	1.0	1.0
Albany	N.Y.	2100	39,000	1.0	39,000	1.0	1.0	1.0	1.0	1.0	1.0	39,000	39,000	1.0	1.0
Albany	N.Y.	2110	40,000	1.0	40,000	1.0	1.0	1.0	1.0	1.0	1.0	40,000	40,000	1.0	1.0
Albany	N.Y.	2120	41,000	1.0	41,000	1.									

## NOTES

**Chicago**  
For

	City	Country
	Price	Price
	Per 100 lbs	Per 100 lbs
15	73.25	1.25
15 1/2	73.25	1.25
16	73.25	1.25
16 1/2	73.25	1.25
17	73.25	1.25
17 1/2	73.25	1.25
18	73.25	1.25
18 1/2	73.25	1.25
19	73.25	1.25
19 1/2	73.25	1.25
20	73.25	1.25
20 1/2	73.25	1.25
21	73.25	1.25
21 1/2	73.25	1.25
22	73.25	1.25
22 1/2	73.25	1.25
23	73.25	1.25
23 1/2	73.25	1.25
24	73.25	1.25
24 1/2	73.25	1.25
25	73.25	1.25
25 1/2	73.25	1.25
26	73.25	1.25
26 1/2	73.25	1.25
27	73.25	1.25
27 1/2	73.25	1.25
28	73.25	1.25
28 1/2	73.25	1.25
29	73.25	1.25
29 1/2	73.25	1.25
30	73.25	1.25
30 1/2	73.25	1.25
31	73.25	1.25
31 1/2	73.25	1.25
32	73.25	1.25
32 1/2	73.25	1.25
33	73.25	1.25
33 1/2	73.25	1.25
34	73.25	1.25
34 1/2	73.25	1.25
35	73.25	1.25
35 1/2	73.25	1.25
36	73.25	1.25
36 1/2	73.25	1.25
37	73.25	1.25
37 1/2	73.25	1.25
38	73.25	1.25
38 1/2	73.25	1.25
39	73.25	1.25
39 1/2	73.25	1.25
40	73.25	1.25
40 1/2	73.25	1.25
41	73.25	1.25
41 1/2	73.25	1.25
42	73.25	1.25
42 1/2	73.25	1.25
43	73.25	1.25
43 1/2	73.25	1.25
44	73.25	1.25
44 1/2	73.25	1.25
45	73.25	1.25
45 1/2	73.25	1.25
46	73.25	1.25
46 1/2	73.25	1.25
47	73.25	1.25
47 1/2	73.25	1.25
48	73.25	1.25
48 1/2	73.25	1.25
49	73.25	1.25
49 1/2	73.25	1.25
50	73.25	1.25
50 1/2	73.25	1.25
51	73.25	1.25
51 1/2	73.25	1.25
52	73.25	1.25
52 1/2	73.25	1.25
53	73.25	1.25
53 1/2	73.25	1.25
54	73.25	1.25
54 1/2	73.25	1.25
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55 1/2	73.25	1.25
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61 1/2	73.25	1.25
62	73.25	1.25
62 1/2	73.25	1.25
63	73.25	1.25
63 1/2	73.25	1.25
64	73.25	1.25
64 1/2	73.25	1.25
65	73.25	1.25
65 1/2	73.25	1.25
66	73.25	1.25
66 1/2	73.25	1.25
67	73.25	1.25
67 1/2	73.25	1.25
68	73.25	1.25
68 1/2	73.25	1.25
69	73.25	1.25
69 1/2	73.25	1.25
70	73.25	1.25
70 1/2	73.25	1.25
71	73.25	1.25
71 1/2	73.25	1.25
72	73.25	1.25
72 1/2	73.25	1.25
73	73.25	1.25
73 1/2	73.25	1.

[illegible][illegible]

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## Over-the-Counter

[illegible]

## Chicago Exchange Options

For the Week Ending Feb. 22, 1985

**For the Week Ending Feb. 22, 1985**

[illegible]

**Consolidated Trading  
Of NYSE Listing**  
Week ended Feb. 22

Week ended Feb. 22

	Rates	Low	High	Chg
Blanch	5,070.00	27%	27%	+0%
Bloch	5,170.00	27%	27%	+0%
Booth	5,170.00	27%	27%	+0%
Unocal	5,170.00	27%	27%	+0%
AT&T	5,170.00	27%	27%	+0%
Boeing	5,170.00	27%	27%	+0%
IBM	5,170.00	27%	27%	+0%
Exxon	5,170.00	27%	27%	+0%
Pharm	5,170.00	27%	27%	+0%
Chem	5,170.00	27%	27%	+0%
AmRep	5,170.00	27%	27%	+0%
Secur	5,170.00	27%	27%	+0%
Gen	5,170.00	27%	27%	+0%
Chen	5,170.00	27%	27%	+0%
ExCel	5,170.00	27%	27%	+0%
McD	5,170.00	27%	27%	+0%
Diem	5,170.00	27%	27%	+0%
Mer	5,170.00	27%	27%	+0%
Lochi	5,170.00	27%	27%	+0%

Issues Traded In: 2,229  
Advances: 776; declines: 1,009  
New highs: 29; new lows: 10

**Volume**

This week	663,180,000 shares
Last week	603,780,000 shares
1984 same week	533,910,000 shares
1983 same week	453,527,000 shares
1984 to date	3,665,240,000 shares
1983 to date	3,065,240,000 shares

**Consolidated Trading  
Of AMEX Listing**  
Week ended Feb. 22

Sales	High	Low	Last	Chg.
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WanpB	1,851,000	27%	25%	25%	+1%
ComerP	1,288,000	3%	2%	2%	+1%
Heizer	811,100	2%	1%	1%	+1%
WAT	731,000	4%	3%	3%	+1%
TIS	617,000	1%	1%	1%	+1%
DatePd	552,100	18%	16%	17%	-1%
InstSy	500,300	2%	2	2	+1%
DilutD	439,600	47	45%	56%	+2%
Cladal	438,600	23%	19%	23%	+3
GRCdc	430,100	13%	12%	12%	+1

Volume: 32,340,000 shares  
 Year to Date: 364,590,000 shares  
 Issues Traded in: 86  
 Advances: 292 / declines: 450  
 Unchanged: 1  
 New High: 92 / New Low: 16

## Pickens Raises Stake in Unocal

**NEW YORK** — T. Boone Pickens Jr., the chairman of Mesa Petroleum Co., and his partners have raised their stake in Unocal Corp. to 9.7 percent from 8.5 percent, a filing with the Securities and Exchange Commission shows.

Unocal, based in Los Angeles, has frequently been mentioned as a potential acquisition target even though it has boasted some of the strongest anti-takeover defenses in the oil industry. Mr. Pickens said he does not plan to pursue control of Unocal but has earmarked funds to buy as much as 15 percent of the company's stock.

Unocal stock closed down 12.5 cents, at \$46.625, Friday on the New York Stock Exchange.

## Raytheon Wins Contracts

*Reuters*

**WASHINGTON** — Raytheon Co.'s missile systems division won U.S. Army contracts of \$107.2 million for 145 Patriot missiles, five firing units and ancillary items, and for \$76 million to design, manufacture and test 550 4.2-inch guided anti-armor mortar projectiles, the

Defense Department said.

### Gold Options (prices in \$/oz.)

Prices	Feb.	May	Aug.
250	8.75-10.25	19.50-21.00	—
300	1.25-2.50	13.00-14.50	21.50-23.00
310	0.05-0.30	8.00-9.50	15.75-17.25
320	0.01-0.30	4.50-6.00	11.25-12.75
330	0.04-0.25	2.50-4.00	8.00-9.50
340	—	1.25-2.50	5.50-7.00

Gold: 298.50 - 299.00

**Valcours White Weld S.A.**  
 1, Quai de Mont-Blanc  
 1211 Geneva 1, Switzerland  
 Tel. 31 02 51 - Telex 28 365

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## LANGUAGE

## Star Wars' Acronym Gap

By William Safire  
WASHINGTON — What's in an acronym? Plenty. In areas of public controversy, propagandists seek to get a message into the name of their product or program, and when they are successful the "sell" appears every time the subject comes up.

The Reagan administration was alert in its early days to the need for a "fresh start" in arms-control negotiations and was aware that Reagan had campaigned against the second SALT (strategic arms limitation talks) treaty as a "fatally flawed." They came up with a fresh acronym: the strategic arms reduction talks, acronymed START.

The trick in acronyming is to find a series of initial letters that spell out a pronounceable word. MBFR, the intermediate negotiations in Vienna about Mutual and Balanced Force Reduction (which rightists remember in derision as "More Better for Russia"), is not an acronym. MBFR is pronounced as a series of letters, not a word.

Acronymy applied after the fact of naming an organization or program can ridicule the activity named. The Law of the Sea Treaty advocates did not recognize the time bomb ticking in the treaty's name; when the selected initials came out LOST, the opponents who considered it all to be a power-grab by the Third World had a handy weapon.

Imagine the chagrin of the Reagan people, so sensitive to the nuances of implanting "sell" in program titles, when the president announced his idea for a defense in space against missiles, and the notion was headlined as "Reagan's Star Wars Proposal." The application of the movie title to the futuristic defense was buttressed by the president's earlier use of the phrase "evil empire" to describe the Soviet Union's imperialism, which seemed identical to the "empire" lined up against the good guys in the George Lucas films.

Grimly, Pentagonists jettisoned the phrase that had been used by the program's early defenders — High Frontier — which comes down to the acronymic HIFRON, no competition for Star Wars, instead, bureaucrats in what can be charitably called a holding action, described the idea as Strategic Defense Initiative, or SDI; this phrase has not caught on, and the initials do not form an acronym.

What to do? The critics of the defense idea were having a field day with the built-in denotation of Star Wars. The president complained: "I wish whoever coined that expression would take it back again, because it gives a false impression of what it is we're talking about." In his second inaugural address, he came up with a lame substitute: a "security shield," which, like "security guard," is redundant.

The Lexicographic Irregulars are called upon now to help the administration find a suitable and catchy name for what, let's face it, everybody calls the Star Wars program. Here is the current state of play: The president is down for "security shield," no acronym. The Pentagon has its chips on the Strategic Defense Initiative, initials SDI. I like "global shield," no acronym. The Charles River gang, up at Harvard and the Massachusetts Institute of Technology, which pool-pools the program, prefers to stick with Star Wars. (They are also stuck with MAD, the acronym for Mutual Assured Destruction, which describes their strategic deterrence. They now realize that MAD is even worse than LOST.)

Arms-control types within the administration, who call themselves arms-reduction specialists, are toying with such ideas as the Study of Protection (acronym: STOP) and the strained Security Assured for Each (SAFE). In a New York Times interview, the president floated out a play on MAD: "Why don't we have MAS instead — Mutual Assured Security." (MAS may not fly — it sounds vaguely Marxist.)

Here is your chance for arms-control immortality, terminology division. The prize for the best name for a substitute for Star Wars, if it leads to adoption by the administration, will be an invitation to accompany me on my next private luncheon at the White House, an event that may never take place. Send your entries to Star Wars on Language. The New York Times Washington Bureau, 1000 Connecticut Avenue N.W., Washington, D.C. 20036, U.S.A.

New York Times Service

## Friends From 'The Killing Fields': There's Not Much Rational About It

By Joyce Wadler  
Washington Post Service

NEW YORK — They are middle-aged men with children, but when they speak of each other in the war they covered together 10 years ago, it is in a language eerily like that of lovers.

Here is the Westerner, Sydney H. Schanberg, talking about his Cambodian translator and assistant, Dith Pran, during the fall of Cambodia to the Khmer Rouge in the spring of 1975: "For all the obvious cultural differences, we were functioning pretty much as one person at the time."

Here is Dith Pran talking about the time he risked his life to argue for the life of Schanberg: "When I saw him, at that time, in my mind he's like a brother." He is quite passionate, his voice as loud as it will get in a conversation that covers the destruction of his country and much of his family.

"There's not much rational about this," Schanberg says. It was a famous magazine piece by Schanberg, a story of friendship and sacrifice and war. It is now "The Killing Fields," a film. It tells the story of a

"This guy, his heart is too tight. When you see a wounded soldier, he have a tear sometimes, he cannot even write. He is involved too much."

Cambodian who saves the life of his American friend and employer, and the newspaperman who afterward is unable to keep his friend safe. How can you reduce to a few sentences the complexities of their lives. Schanberg wants to know. How can you attempt, now, to put reasons on actions that were so entirely of the moment?

He says this at his office at the New York Times, where he writes a column on urban affairs and where Pran is a staff photographer. Schanberg is 50. He had open-heart surgery last year, not surprising for a fellow who by all reports distasteful himself during his stay in Southeast Asia as much by his temper as his tenacity. Pran, 42, had had problems with his teeth — four more will be pulled this month — and sometimes with his skin,

particularly on his feet. "The dirty water," he says, referring to his four years of forced labor in the rice fields.

In 1972, Schanberg arrived in Cambodia for The New York Times and began work with a translator named Dith Pran. They were from two different ends of the universe — Schanberg, a Harvard scholar student from Massachusetts who worked his way up from copy boy to foreign correspondent; Pran, born near Angkor Wat in northwestern Cambodia, his marriage arranged according to tradition, the son of a self-taught engineer. Pran, by accounts of some correspondents, was a gentle, generous man. Schanberg was driven, competitive, temperamental — yelling if his copy was not transmitted, refusing to show his stories to other reporters even after they were published, screaming openly at Pran.

"Most of us would scream and yell in our room, but he'd do it right there at the front desk," recalled one reporter. "He'd be screaming at Pran when he got out of the car, screaming at him at the desk. Then he'd dismiss him like an aide. . . . On the other hand, when things went well, he would give him outrageous tips, hundreds in bonuses."

Schanberg's copy, this reporter said, was considered "wonderful — you loved the sense of outrage he brought to a story." Schanberg is now considered by some the conscience of The Times, particularly in his columns on the homeless. His reporting then was also conspicuous in its humanity. "He committed himself to a war in Cambodia when nobody else cared about Cambodia," said Peter Onos, a one-time competitor from The Washington Post.

"He's not like other journalists — he respects my opinion," Pran said. "He let me read his articles, and if I don't like, we discuss, and sometimes he change. . . . He knew about Cambodian tradition, he put the hands up, know how to respect people, to speak politely, because I teach him the Cambodian way."

But it's been said he used to kick you, Pran. A sigh. "I wish you would not print that. It will make him feel bad. It is true, I cannot lie to you, but he is not like that anymore."

Before, he have many things on his head, and also he is young and there are many technical problems when you are covering a war in another country. "I know this guy, his heart is different, his temper is different, he born that way, you have to tolerate him. When post office don't work, he get so mad and

blame me, but later he come to me and say, 'Pran, I really feel sorry, can you forgive me?'"

A final explanation: "This guy, his heart is too tight. When you see a wounded soldier, he have a tear sometimes, he cannot even write. He is involved too much."

The U.S.-backed Cambodian government began to lose to the Communists. In April 1975 the Communists moved in on Phnom Penh and the U.S. Embassy evacuated its people. Through Schanberg's intervention, Pran's wife and four children were flown out. Pran remained — and his remaining, in the film, is attributed by one journalist to Schanberg's desire for him to remain.

On April 17 the Khmer Rouge took the city. Schanberg and Pran, accompanied by two other journalists and their driver, went to the city's largest hospital to try to determine casualties. As they were attempting to leave, all except Pran were arrested. Pran argued with their captors. The Western journalists thought he was arguing for his freedom but their Cambodian driver explained that he was arguing to join them, because he knew they had no chance without him. . . .

That they were foreigners who had come to report on the Khmer victory. Pran saved their lives. After the city was evacuated, Schanberg and Pran and their Cambodian drivers, Hea and Sarun, sought refuge in the French Embassy. Then the Khmer Rouge announced that all Cambodians had to leave the embassy. Hea and Sarun, with money from Schanberg, slipped out the next day. Schanberg attempted to fake a passport for Pran. The French spotted it and insisted that it would jeopardize the entire compound. Pran was forced out.

He says now that what his character says in the film, at that moment, is what he said to Schanberg: "Take care of my family, Sydney. Don't let anyone be mean to my wife."

Was Schanberg as much of a creep in person as he is on the screen? "I can't answer the question because it's somebody else's perception. I think that the movie is a rough one, and, uh, it portrays a very determined and abrasive and whatever reporter, but if that is somebody's first question coming out of the movie, they've missed the point."

"I don't think any film provides every piece of a human being, but I think the movie is accurate and fair in portraying that part of me. . . . The three things I insisted on in first discussion with this movie was that it had to be about real



Pran and Schanberg: "Now we see each other more clearly."

Cambodians, and to tell the story of Cambodia, and to portray me honestly."

After Dith Pran left the embassy, it was four years before he escaped to Thailand. He was beaten almost to death, had malaria, worked 14 hours a day, at times lived on a spoonful of rice and, to supplement his diet, killed grasshoppers or snakes. His father died of starvation, three brothers and an uncle were shot, his sister and her daughter were killed.

Schanberg returned to the United States. He wrote hundreds of letters in an attempt to find Pran and took on much of the expense of caring for Pran's wife and family. His marriage unraveled. He won a Pulitzer Prize for international reporting and accepted in the name of Pran.

In October 1979, he and Pran were reunited in a refugee camp in Thailand. Schanberg had recalled Pran saying, "I am reborn. This is my second life."

Why did they stay in Cambodia as long as they did? To what extent did Schanberg's desire to stay affect Pran?

"I was doing journalism for three years, no, five years, and then Sydney and I both got the same idea to cover the story," Pran said. "I decide to stay first because I didn't believe when one side come up they kill their own civilians, and I also because the people I used to visit to cover the story didn't get panicked, so why should I get panicked?"

Schanberg said: "These questions are difficult to answer because they are not questions you pose to yourself during the situation. . . . You just do what visceral makes total sense for you to do."

He added later: "It's culturally insulting to ask why Pran chose to stay. The assumption is that the Westerner is in

charge and that the assistant, because he was an assistant and comes from a country with a colonial history, would do anything the Westerner wants him to do."

But in this case, the Westerner was in charge. "Yes, but the assumption that just because I was in charge I would put a life at stake is a fundamental mistake."

But he has written about feeling responsible for Pran.

"I was responsible for him in the same way he was responsible for me. His responsibility for me led him to argue his way into that tank. I think that was because it was unthinkable for him to be separated from me: just as his forced departure from the embassy was unthinkable for me. Part of his decision I think was instinct, and sheer loyalty and courage, but I don't think any human act like that is ever so clear-cut that it doesn't have lots of little pieces, and one of those little pieces was that he was on the street, alone and isolated, and without us, without me, it was something totally missing."

They spoke in turn, describing their feelings when Pran was forced to go. "I know Sydney will be all right, family will be all right. . . . You don't think backward anymore. You just thinking ahead, now you in risky situation — you life, if you little bit left, little bit right, you get killed."

And Schanberg? "It had to be the worst day of my life." He said later: "I think we romanticized each other. I think we know each other better now. . . . Now we see each other more clearly, as human beings with strengths and flaws."

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